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GENERAL

Review of Hungary's Political Reforms

40050368 Hong Kong CHING PAO [THE MIRROR]
in Chinese No 3, 10 Mar 89 pp 80-82

[Article by Ling Huyan 0109 3698 5888: "Hungary Makes First Breakthrough Into Exclusive Preserve of Communist Party Dictatorship"]

[Text] The Hungarian Socialist Workers' Party (MSZMP) has taken the initiative in making a breakthrough into the exclusive preserve of the one-party dictatorship, and is making the utmost effort to initiate a multiparty system; it can be said to be developing a school of its own among the nations of Eastern Europe. Since the latter half of last year, several dozen independent political organizations have been established one after another among the people.

The thinking of MSZMP members is currently very liberated, and they dare to squarely face reality and stride forward on the democratic path toward multiparty politics, but in the final analysis, their forces are isolated, and whether they will be able to get anywhere in the end is very hard to foresee.

Since Gorbachev, the leader of the new generation of Soviet communists, emerged in 1975 and vigorously carried out a policy of reform and openness, the Eastern European satellite countries, which had always been tightly controlled by the Soviet Union, have appeared to have suddenly encountered a warm spring breeze during a bitterly cold winter. The Hungarian people, who have a tradition of opposing the Soviet Union, have one after another demanded greater political democracy and freedom of the Communist Party rulers, and the Communist Party authorities have had to work out various measures for responding to these demands.

What is most conspicuous is that Hungary has taken the initiative in making a breakthrough into the exclusive preserve of the one-party dictatorship and done its utmost to initiate a multiparty system. Hungary may be said to be in the forefront of the Eastern European nations in developing a school of its own. Since the second half of last year, several dozen independent political organizations have been established one after another among the people. By 24 January of this year, several non-Communist representatives of the Hungarian National Assembly (i.e., nonmembers of the ruling Hungarian Socialist Workers' Party) had also formed a National Assembly "extra-party faction" organization. They declared that its meetings would be completely open and any National Assembly delegate could participate, and that this "extra-party faction" organization was preparing to participate in future National Assembly elections in open competition with the ruling Socialist Workers' Party.

A Turn of Events and the 1988 MSZMP Congress

It is no accident that Hungary's political reform is in the forefront of Eastern European nations. Historically, in 1956 occurred the "Hungarian Incident," or "Counter-revolutionary Incident," as it was called at the time, which was ruthlessly suppressed by the Soviet military and unanimously condemned by the "great socialist family," including China. Actually, it was a "genuine revolt...a people's revolt" (according to a report of the February 1989 plenary session of the MSZMP Central Committee); it was a glorious popular uprising which arose to drive out Matyas Rakosi and demand withdrawal of the Warsaw Pact because Rakosi, the leader of the Hungarian Communist Party at that time, faithfully carried out Stalin's high-handed policy of trampling democracy underfoot and his rigid economic model, which aroused the intense discontent of the Hungarian masses. This fact shows that the Hungarian people have a long historical tradition of not fearing power and daring to diverge from established authorities and rebel against orthodoxy. With regard to the present, the cream of the leading stratum of the MSZMP, confronted by aging, ideologically conservative forces, have dared to boldly step forward, one wave driving on the one before it, and have played a crucial role. A conspicuous example occurred in May 1988, when the MSZMP held a special National Party Congress and conducted a seminar on the issues of political reform and reshuffling of the party leadership, paving the way for the MSZMP's bold and resolute implementation of political and economic reform.

Through the 1988 MSZMP Congress, the party established the line of overall reform of the political system; Janos Kadar, originally Party General Secretary, who had led the party for 31 years, gave up his power and changed to the newly-established, honorary post of Party Chairman, which is completely without any real power, while 57-year-old Karoli Grosz, the State Premier who had very forcefully promoted reform, assumed the post of Party General Secretary. In addition, eight elderly Politburo members retired, and the 11 newly-elected Politburo members included Nyers, the "father of reform," who had been removed from office, and Pozsgay, the ideologically dynamic Secretary General of the National Council of the Patriotic People's Front; one-third of the Central Committee members were also replaced, thereby forming a young new leadership stratum, a reform group with "abundant trailblazing spirit." The result of this MSZMP Congress was like that of a stimulant; it encouraged Hungary's reform factions and allowed Hungary to "enter a new period."

Multiparty System Impossible Without Kadar's Withdrawal

In discussing Hungary's entry into today's "new period," we must discuss the "old period" when Kadar controlled the government. After the "Hungarian Incident" was suppressed in 1956, Kadar was assisted in wielding the

highest power in the Hungarian Communist Party. Kadar was a Stalinist, but he did not indiscriminately imitate Stalin's dogma; rather, he gradually spied out the problems existing in Hungary and set out on the road to reform. After breaking away from the rigid Soviet model and implementing reform, Kadar, beginning in 1968, tried out the reform line in Hungary and became the forerunner of Soviet and Eastern European reform. At the beginning of reform, Kadar's line achieved considerable results, but because it was of an experimental nature and was by no means boldly and resolutely carried out, difficulties increased as time went on, and new and old problems often became intertwined. Moreover, as Kadar grew older, his thinking became increasingly conservative, and in recent years Hungary's reform did not advance; economic conditions were poor and reforms of the political system were not implemented at the same rate, causing problems to accumulate. These problems were obvious, such as the increasing aggravation of currency inflation and year-by-year increase of the foreign debt. Particularly with respect to politics, Kadar opposed with all his might demands within and outside of the party for democracy, directing his attack at "those attempts to establish bourgeois democracy or anarchism," and charging that people fond of political reform would destroy the party's leadership. Kadar blames the various intensified social contradictions which emerged in Hungary this year on "extremist" acts of reform by young reformers in the party's leadership stratum. These contradictions include, within the party, the emergence of a trend toward withdrawal from the party; a number of illustrious figures have fiercely attacked the central leadership and have consequently been expelled from the party and dismissed from positions of leadership. Outside of the party, there have appeared the first independent labor unions and democratic youth groups which have broken away from the party leadership, and the multiparty system is being deliberated upon.

It is evident from this that unless Kadar and other old, rigid dogmatists withdraw from the leadership stratum of the MSZMP, it will be hard to deepen Hungary's reform, and implementing a multiparty system will be even less possible. Actually, most people in Hungary's government and private sector believe that in order to remedy the social crises which have appeared and solve the series of political and economic problems, it is necessary to implement political system reform and personnel changes and change the structure of the MSZMP leadership with policy-making authority. Grosz said that the MSZMP was tending toward a "stalemate," and therefore no more time could be wasted; otherwise, "Hungary's future will be in jeopardy, because our failure would be equivalent to an objection to allowing our conservative forces to be in power." Pozsgay has stressed the need for "greater freedom, in order to establish democratic socialism," and stated that "if only we had democracy, we would have a true revival." Circumstances have shown that the MSZMP's change of general secretaries last year and the personnel change

whereby a number of younger reformers with modern knowledge, using the power of "the waves behind driving on those before, as in the Changjiang River," have replaced old bureaucrats with rigid thinking and declining vitality, are undoubtedly the result of the MSZMP's squarely facing reality and strongly demanding deepening of reform.

It is worth pointing out that in addition to personnel changes in the leadership stratum, another notable result of the MSZMP Congress was the passage of the opinion "Concerning the Party's Mission and Perfection of Political System Reform." We can see from Grosz's speech at the Party Congress and other statements that the most important element of political system reform is party innovation: "casting off mysterious, closed, and rigid working styles." Grosz advocates "the principle of division of labor between party and government, whereby the party sets forth overall guidelines—in other words, carries out general policymaking—while allowing the government to work out the specific details." Grosz's relevant statements have clearly sketched an outline for Hungary's future political system reform. Therefore, this Party Congress, by breaking through the traditions of the MSZMP, has created conditions favorable to future bold and resolute implementation of political reform.

Basic Factors of Implementation of a Multiparty System

However, even if Hungary thus implements a multiparty system amid the MSZMP's political reform, it will by no means be established henceforth; on the contrary, after the MSZMP's special Party Congress in May of last year, the proposal of a multiparty system was given a cold shoulder for a time. It was noted that after the Hungarian Government ratified a law in November of last year allowing the multiparty system in principle, the MSZMP Central Committee announced in mid-December that "the MSZMP, as the sole political party, can formulate and represent the main political interests of the Hungarian people." Grosz, the Secretary-General of the MSZMP Central committee, stressed in a speech in November that "I advocate and support our development of a multiparty system," but stressed in another speech in December that "Hungary must consider the future under conditions of a one-party system." These contradictory statements reflect the sharply opposed opinions and concerns among high-level MSZMP officials with respect to the multiparty system. It was not until the beginning of this year, when the Hungarian National Assembly passed a law, that there were indications that the controversy had finally reached a compromise, and the government has hesitantly taken a clear-cut position.

In mid-January of this year, Hungary's National Assembly passed a law allowing the existence of multiple political parties and freedom of association and demonstration, causing reverberations everywhere. Later, MSZMP Central committee Politburo member Pozsgay announced in a broadcast that the special committee for

"investigation of Hungary's post-liberation history" which he chaired had confirmed that the earthshaking 1956 "Hungarian Incident" was a "popular uprising," overturning the characterization of "counterrevolution" which had been given it at that time. It is believed that although the later situation does not directly involve the political system and framework, it is the logical conclusion of the process of democratization of the former, and the response it elicits will become the new motive force of the former.

Then, in mid-February, MSZMP General Secretary Grosz issued a statement formally announcing that the MSZMP Central Committee had decided to do its utmost to promote the multiparty system. Grosz explained that the MSZMP Central Committee had decided that it must further develop political diversification under conditions of a multiparty system; the MSZMP not only supported and accepted the multiparty system, it also would do its utmost to promote development of the multiparty system. Grosz pointed out that the basic fact of the political and economic tension which appeared in Hungary before 1956 and in recent years showed that Hungary would get nowhere trying to establish political diversification under conditions of a one-party system, because under such conditions it could not avoid repeating the same mistakes that had been made in the aforementioned periods. And similar mistakes cannot be avoided in implementing a multiparty system, since the various political parties supervise each other. Under conditions in which the various political parties compete with each other, each party demands that it achieve better work results, have higher moral, ethical, and political standards, and have a new work style. Grosz has stressed that in so doing, the MSZMP hopes that Hungary will establish a new socialist model which is completely in keeping with Hungary's conditions; in other words, establish a socialist model completely separated from Stalinist remnants, and whose superstructure is both different from that of Stalinism and also superior to the state structure and mechanism of capitalist society. Grosz believes that after a multiparty system is implemented, the MSZMP will engage in political activities in competition with other parties, and if it is able to gain the support of the majority of society, it will be able to play the role of ruling party.

What is notable is that Grosz's aforementioned statement concerning the multiparty system is not irresponsible nonsense spoken off the cuff, but rather was publicly announced to all of Hungary based on the spirit of a proposal of the plenary session of the MSZMP Central Committee. On 10-11 February, the MSZMP held a plenary session of its Central Committee concerning current domestic political issues, and after the session issued a communique which stated that "political system diversification can be achieved within a multiparty system" and pointed out that this would provide a better guarantee of government control and opposition to abuse of authority. In view of the current opposition in

Hungarian society, i.e. the lack of preparation for realizing a multiparty system regime, if this process is artificially accelerated or delayed, it is liable to be socially divisive and cause political instability. However, the communique stresses that the MSZMP is willing to consult and cooperate with all responsible political forces in order to achieve political system reform and economic reform.

It can be seen from the Hungarian National Assembly's passage of a bill allowing the establishment of political parties in addition to the Communist Party, as well as from the announcement by MSZMP authorities that they would promote a multiparty system, that other political parties in Hungary will obtain legal status and, moreover, will compete with the Communist Party (i.e., MSZMP), which has obtained exclusive dictatorial rights in Hungary, and for the first time become a reality in a communist state. This means making an enormous breakthrough in the political reform of socialist states. Its influence would go beyond the boundaries of Hungary and would have major reference value not only for other Eastern European communist dictatorships, but also for Asian communist states such as mainland China.

Can the Breakthrough Into the MSZMP's Exclusive Preserve Succeed?

The problem is that the multiparty system initiated by the MSZMP still has certain limitations, of which the main one is that it has not leaped beyond the framework of communist theory. For example, although the resolution of the recent plenary session of the MSZMP Central Committee indicated that it would implement a multiparty system, and the Committee was preparing a resolution that no clause stipulating MSZMP leadership would be included in the future national constitution, it stipulated that the concept of "socialism" must be written; in other words, no matter what, it must adhere to the principles of socialism. Viewed from this angle, there is still an enormous difference between the multiparty system initiated by the MSZMP and that of the West.

It is even less known whether, due to a reshuffling or ouster of the party leadership stratum or the highest party leaders at some time in the future, Grosz, for example (under joint attack by internal and external forces) might become a second Imre Nagy, or meet a fate like that of Khruschev, and be ousted.

Moreover, at present, almost all communist nations adhere to one-party dictatorship by the Communist Party, and do not allow any person or group to challenge the authority of the Communist Party; if they do, they are ruthlessly banned. An obvious example of this is the Polish Communist Party's stern dealing with the leaders of breakaway parties and the labor union Solidarity, which is attempting to develop into an opposition party. Even in the Soviet Union, which is renowned for being in the forefront of political reform, Gorbachev himself denied the possibility of implementing a multiparty

system (i.e., opposition party); just like all masters of the Kremlin, he adheres to the one-party dictatorship of the Soviet Communist Party and views it as a self-evident truth. It is sheer misunderstanding or mere wishful thinking on the part of some analysts to believe, because the Soviet Communist Party has allowed the Supreme Soviet to let masses outside the party participate in elections to some extent, that the Soviet Communist Party may give the green light to a multiparty system, i.e. allow the creation and legalization of other political parties and let them participate in elections. As for the CPC's "multiparty cooperation system," there is no need to say much, as everyone understands what it is. Of the "four adherences," the main one is adhering to the leadership of the Communist Party; the other "democratic parties and groups" merely participate in "parliamentary government" and "consultations" "under the

leadership of the party," due to "national conditions." Thus, even theoretically, to say nothing of practice, it is fruitless to hope that the CPC, like the MSZMP, will initiate a multiparty system, allow "democratic parties and groups" to compete with it, and let those who enjoy popular support assume power.

It is evident from this that even though the thinking of MSZMP members is currently very liberated and they dare to squarely face reality and boldly break with the doctrine of the "dictatorship of the proletariat" (i.e., one-party dictatorship by the Communist Party, the ancestor of communism) and advance on the democratic road toward a multiparty system, their forces are still, after all, isolated, and it is very hard to foresee whether they will get anywhere in the end.

Hsu Szumin Asks CPC Politburo To Release Political Prisoners

40050373a Hong Kong CHING PAO [THE MIRROR] in Chinese No 3, 10 Mar 89 p 11

[Article by Hsu Szumin: "Freeing Political Prisoners Would Comply with Popular Wishes"]

[Text] On 21 February, Mr Hsu Szumin [1776 0934 3046], a member of the Hong Kong and Macao group of delegates to the CPPCC and publisher of CHING PAO, cabled the standing committee of the Politburo of the CPC Central Committee through the Hong Kong branch of XINHUA SHE, proposing that a number of political prisoners be released before the NPC and the CPPCC are scheduled to meet in mid-March in order to create a democratic atmosphere. The full text of the telegram is as follows:

21 Feb 1989

c/o Xu Jiatun [6079 1367 1470], director of XINHUA SHE, Hong Kong branch

Dear Members of the Standing Committee of the Politburo of the CPC Central Committee:

According to recent press reports, intellectuals at home and abroad who are concerned about national affairs are collecting signatures to request the release of political prisoners who have been locked up for many years. The trend in the world is toward democracy, openness, and dialogue. It is hoped that in your insight you will move ahead of the situation and comply with popular wishes by seizing the initiative to take ameliorative measures. Despite my ignorance, I hereby send this cable to suggest that judicial organs carry out investigations and release a group of political prisoners before the NPC and CPPCC meet this year. This move will surely turn a negative situation into a positive one, help unite intellectuals at home and overseas and compatriots everywhere, and exercise a profound impact on the great mission of the unification of the motherland. It will also create a democratic atmosphere for the coming meetings of the NPC and CPPCC. This is my personal opinion submitted faithfully and loyally. If it is considered seriously, our nation would be ever so fortunate.

Respectfully yours,

Hsu Szumin, Member, Hong Kong and Macao Group of Delegates to the CPPCC, and Publisher, CHING PAO, Hong Kong

Political Structural Reform Could 'Revitalize' Movement

40050373b Hong Kong CHING PAO [THE MIRROR] in Chinese No 3, 10 Mar 89 pp 32-35

[Article by Gu Yulai 6253 7183 0171: "Pressure Mounts for Political Change as Skepticism Increases Regarding CPC's Legitimacy"]

[Text] Reform on the mainland is undergoing a subtle "metamorphosis," the result of undemocratic policymaking.

To revitalize reform, political structural reform should be accelerated.

Already some people in Beijing have raised the issue of the "legitimacy" of "one-party dictatorship."

Some figures from democratic parties are calling for a "multiparty coalition government."

Reform Undergoing a Subtle "Metamorphosis"

Symbolized by the 3d Plenary Session of the 11th CPC Central Committee, the decade-old reform has fallen into the doldrums, with no sign yet that the stalled movement can be revitalized any time soon. While nobody has publicly renounced reform, it is unmistakable that reform is undergoing a subtle "metamorphosis." More and more the rectification of the economic environment and the restoration of economic order are reverting to the administrative and centralization tools characteristic of the old system. The State Council has issued almost 20 administrative orders to its various ministries and commissions, breathing new life into the once-weakened planning system.

The importance of food production has been re-emphasized. But people are aware that the new emphasis by the CPC Central Committee on this issue is prompted less by the stagnation in grain output in recent years and more by uncertainty over the assessment of agricultural reform over the past decade. The prevailing viewpoint is one previously swept aside by the reform forces: the starting point of China's agricultural policy should be planning, not the market, nor the decisionmaking authority of peasants in operations and production. Reports say that during the debate on the future of agricultural reform in the top echelons of the party, a good number of people proposed to Zhao Ziyang that the way out for Chinese agriculture lay in the privatization of land without delay, arguing that this should be the cornerstone of agricultural reform. However, Zhao Ziyang refused to consider this suggestion, saying, "Public ownership cannot be tampered with." According to a friend of mine in the State Council, Zhao Ziyang last year asked China's top agricultural adviser Du Runsheng [2629 3387 3932] to study the issue of land privatization. Today his position has shifted, probably under pressure.

In industry, Zhao Ziyang has been pushing hard for ownership rights reform, also without success. Pilot projects in the shareholding system are under way in some enterprises in just a handful of industries. It is being tested only as a means of raising capital and has failed to spearhead establishment of or a change in ownership rights. What preoccupies the State Council right now is a retrenchment based entirely on administrative tools. On the one hand, a tight-credit policy speeds up the circulation of the existing money supply, magnifying its "multiplier effect" and further bloating the money supply. On the other hand, retrenchment will exact a heavy price from the Chinese economy.

An economist has summed up the price of retrenchment as follows: 1) A deep slump in production. Bank loans are the primary source of the working funds for enterprises on the mainland today. Tightening credit will lead to a payment crisis for these enterprises, forcing them to cut back on production with such attendant problems as declining incomes for the citizens, rising unemployment, increasing rationing, and decreasing commodities. 2) Long-term development will suffer. A tight-money policy necessarily involves trimming capital construction. The result is that investment in production projects will fail to keep up with the demand of economic growth. At a time when the mainland population is soaring, an excessive reduction in production investment will not only fail to maintain economic growth but will also endanger the livelihood of future generations. 3) Efficiency will decline. A tight-credit policy will prevent currently profitable enterprises from expanding their scale of production, while transferring the burden of unprofitable enterprises that cannot go into bankruptcy onto their profitable counterparts. The result will be a decline in the economic efficiency of society as a whole. Besides, even as profitable enterprises cut their scale of production, their assets and labor force will stay constant, leading to an increase in unit costs and a drop in profits. Facts prove that enterprises are already paying the price of retrenchment.

Reform Forces Making Big Concessions

Another feature of the "metamorphosis" in reform is that in the face of a severe economic crisis, both reform and conservative forces are trying hard to work out a compromise so that they can continue to cooperate with each other. Still it is the reformers who have made even bigger concessions, as demonstrated in the ideological sphere. They have gradually stopped redefining so-called "socialism" and "Marxism," which they played up in the past, instead emphasizing the fundamental principle of "safeguarding and upholding Marxism and socialism." At the theory seminar commemorating the 3d Plenary Session of the 11th CPC Central Committee held not long ago, a senior leader of the party said that "in research, nothing is off-limits" but that the "theoretical community should exercise discipline in propaganda," thus invoking so-called discipline to check the study of reform theory by the theoretical community. Later, the

same high-ranking figure chided SHIJIE JINGJI DAOBAO for publishing Su Shaozhi's [5685 4801 2535] lengthy speech delivered at the theory seminar commemorating the 3d Plenary Session of the 11th CPC Central Committee, criticizing it for "seriously violating propaganda discipline and stirring up intraparty discord." (The speech bluntly attacked the "antispiritual pollution" movement and the "antibourgeois liberalization campaign" and the "self-appointed theoretical authority in the party.") As a result, Qin Benli [2953 2609 4539], the paper's editor in chief, was ordered to criticize himself. In recent years, Yan Jiaqi [0917 1367 0366], who has been participating in the preparation of a political structural reform plan at the invitation of Bao Tong [7631 1749], Zhao Ziyang's secretary, has spoken on several occasions about the "need for political institutionalization." He also said that "the aim of political reform in the party is to abolish the Politburo and allow a central dictatorship commission, to be elected by the whole party, to exercise collective leadership." This kind of talk angered the authorities, which ordered all major news media on the mainland to impose a news blackout on Yan Jiaqi; absolutely nothing on his political opinions was allowed to be published. Other taboos, journalists have been told, include the following: 1) the reburial of Imre Nagy in Hungary; 2) talk about "multiparty rule" and political structural reform in Eastern Europe; and 3) "extremist" speeches about freedom and democracy that will be delivered in rallies commemorating the May 4 Movement this year. Meanwhile, the State Restructuring the Economic System Commission, which has been working on a reform plan at the behest of Zhao Ziyang, has been blamed for "creating economic difficulties" and threatened with reorganization and dissolution. Many people of vision are indignant, arguing that "it is impossible to coordinate their work with so-called 'rectifying the economic environment' and 'restoring economic order,' the aim of which is retrogression." A young economist on the staff of the State Restructuring the Economic System Commission told this writer privately, "Reform depends on policy continuity and steady progress for its survival. Take away the continuity and let reform stall, and everything we have achieved will go down the drain overnight. In China, economic reform takes place in the absence of the safeguard of political structural reform, so the new achievements of economic reform rest on a shaky foundation and are vulnerable to being gobbled up by the old system. Trouble is that this is precisely what is happening right now."

Policy Errors Lead to Reform Setbacks

In contrast to previous setbacks, which can be attributed to counterattacks by conservative forces, the latest downturn in reform was directly caused by the half-baked reform proposals and mistaken policies of reformers at the very top. If conservative forces played a part at all this time around, they were able to do so only by exploiting the reformers' mistakes. In a joint letter to the Politburo of the CPC Central Committee not long ago,

Chen Yun [7115 0061] and Li Xiannian [2621 0341 1819] put forward "eight opinions" on the current effort to "rectify the economic environment and restore economic order," emphasizing "economic planning," "grain production as the base," "the principle of not overreaching," "and the principle of comprehensive balance." Since these ideas are exactly the opposite of the reform line adhered to by Zhao Ziyang in recent years, two opinions naturally emerged when the Politburo met to discuss the "eight opinions." Zhao Ziyang is said to have disagreed with the "eight opinions." As for Deng Xiaoping, he stopped short of totally opposing them. Deng Xiaoping, who recently told leaders of the State Council that the "core of rectification and restoration is straightening out the agricultural problem," appeared to agree with some of the ideas of Chen Yun and Li Xiannian. However, it is clear to many people that as far as reform is concerned, top leaders in China often split over the issue of agriculture. The reform faction would like to stimulate the dissolution of the old agricultural system with the advent of the commodity economy and spur agricultural development through diversification. The conservative forces want to maintain the status quo in agriculture in the name of "stability" and "foundation" by guaranteeing grain production. They want to see more peasants devote their labor to the land and prevent them from drifting into cities and shifting toward industry. Different proposals are based on different policies and systems. In China, which way political and economic reform would go depends on who wins the agricultural debate. Judging from the present situation, the conservatives have gained the upper hand on the agricultural issue, an outcome not unrelated to the errors committed by the reform forces in several areas, notably agriculture, in recent years.

Most people agree that these are the major errors:

1. Chinese reform began in agriculture. It did the right thing in ending the 30-year-old policy of "industrialization by exploiting the peasants," as facts have proved. When the thrust of reform shifted from the countryside to cities, however, reformers overlooked a major imbalance in China's industrial economic structure, namely the fact that basic industries had been trailing processing industries. So China now found itself in a new quagmire: "modernization through the exploitation of basic industries (i.e., resources)." The disastrous consequences of this choice were further compounded by the introduction of "general local fiscal contracting" and "piecemeal administrative power-sharing." In provinces and municipalities all over the country, processing industries, which can yield a profit quickly, have been expanding out of control like a wild horse, wasting large amounts of cheap resources and widening the gap between them and basic industries. Meanwhile, the last drop of productive juice has been squeezed from the family output-related system of contracted responsibility, which has been widely implemented. Electricity and energy shortages have doubled agricultural production costs even as state investments in agriculture decline year after year.

Depressed agricultural procurement prices have forced peasants to abandon grain production (or divert grain output to local markets beyond state control). The upshot is a continuous drop in grain production over the past 3 years. Last year's decline is estimated to be a high 200 billion jin.

These conditions in agriculture and industry have been described by some mainland economists as the "complication of exploiting resources and peasants," a root cause of inflation. Consequently, any move on the price reform front is inevitably inflationary.

Basic Education Overlooked

2. Reformers have also overlooked strengthening basic education and working out a high-tech industrial policy. We still remember that after Deng Xiaoping staged his comeback in 1977, he immediately introduced bold changes in education and science and technology, unshackling intellectuals from a psychological burden, reviving the recruitment-by-examination system at the senior high school level, and boosting investments in basic science. These changes provided the post-1979 economic reform with a good deal of scientific and technical expertise. But Deng Xiaoping's educational and scientific policy in 1977-1979 was mainly concerned with turning out "experts at the top," instead of making education widely available to improve the basic quality of the citizenry. At a time when science, technology, and education were in shambles, there was no alternative to this kind of priority. Unfortunately, the policy of turning out the "cream of the crop" remained in place even after 1979, for which reform is now paying a hefty price. To begin with, one-fifth of the Chinese population are illiterate, constituting an unsurmountable barrier to economic modernization and political democratization. Second, the people are of a poor caliber. This not only deprives government policymakers of correct feedback from the public and prevents the government from improving its policies, but also magnifies the effects of government policy errors. For instance, the "business fever" and the scramble to exploit the "dual-pricing system," which gripped the nation from top to bottom in recent years, have caused the social moral climate to deteriorate sharply, ample evidence that the poor quality of the population has exacerbated the negative effects of a bad government policy.

Statistically, there are about 20 million intellectuals at all levels on the mainland today, not a large number for a huge country like China with a population exceeding 1 billion. Yet even this corps of intellectuals has not been effectively organized and put to use. As early as 5 years ago, a number of scientific and technical experts already suggested that the government formulate a plan to develop high-tech industries so that they can play a leading role in national economic development. Yet this suggestion was dismissed by the top echelons of the CPC. At the beginning, Deng Xiaoping did take basic scientific research seriously, with some notable achievements.

Zhao Ziyang paid attention to the dissemination of applied science. But he never provided guidance at the national policymaking level, so his achievements here are meager. Of the hundreds of thousands of enterprises in China, only a handful genuinely take the trouble to absorb advanced science and technology, with the overwhelming majority lacking this kind of internal demand. At the same time, numerous scientific and technical achievements are not being put to use and effectively wasted for lack of funding support and communication. Chinese enterprises have long been plagued by inefficiency: "high inputs, low outputs." The root cause is the absence of the support of advanced science and technology as well as a distorted price system. Chinese reformers have erred in this area.

Misjudging the Situation in Economic Reform

3. By misapplying moderately inflationary measures to stimulate the economy, the reformers have made a series of problems worse. Since late 1986, some economists have been alerting the government to a budding inflation. The government, however, argued that brisk economic growth necessarily called for an expansion in the money supply and that "a moderate amount of inflation" would help spur economic development, overlooking a host of factors that would stifle economic growth—the fact that Chinese enterprises are mostly inefficient, with fragile self-restraining mechanisms, limited national resources, marginal increase in agricultural output having reached its limit, and a lopsided industrial structure. As a result, every time the banks pumped more money into circulation, inflation was pushed a notch higher and the gap between aggregate social demand and supply grew a little wider. In the end, the Chinese economy founded itself bogged down in "stagflation."

Political Structural Reform: No Grand Design

Nothing brings out the half-baked nature of Chinese reforms more sharply than the absence of a grand design and the hesitation and indecisiveness that characterize its political structural reform. Chinese society is a highly politicized society, both its economy and culture are subject to a high degree of political control and restraint. Party consciousness determines national and social consciousness. The party system determines state and social institutions. This fact makes it imperative that reform in China be accompanied by political structural reform if it is to work at all. Political structural reform includes more than technical adjustments like separation of politics and economics, party-government separation, and organizational streamlining. It should also involve such basic institutional issues as the democratic affirmation of the status of the party as a ruling party, the democratic framework of the ruling party, the legal procedures for converting party will into the will of the state, the legal identification of the ruling party with other political parties, and the exact limits of constitutional activities by the ruling party. Only then would the overall needs of

reform be satisfied. Chinese Communist decisionmakers, however, have always been ideologically narrow-minded when it comes to political structural reform. They have seldom reviewed the party's successes and failures during the last few decades from the institutional angle, insisting instead upon its natural correctness and legitimacy as a ruling party. They have also refused to affirm its status through democratic procedures. Although the CPC is the ruling party on the mainland, there are no channels through which the people can identify with it. In fact, with the party less and less able to set its own house in order, its status as the ruling party has been substantially weakened. Its failure to check intraparty bureaucratism and corruption has also undermined public confidence. In a certain sense, the difficulties now facing reform in China are largely the consequence of the lag in political structural reform.

How to overcome the present crisis and press ahead with reform? More and more people are coming around to this line of thinking: Accelerated political structural reform provides the only way out. As long as politics remains undemocratic and has power not subject to restraints, political corruption would be unavoidable and the masses will not take the initiative to assume any risks for reform.

A mainland economist told this writer, "To a large extent the difficulties now plaguing reform are caused by a nondemocratic way of policymaking. To this day Chinese Communist leaders are still wedded to their 'palace' style of policymaking. Instead of comparing and analyzing the various plans submitted by experts and scholars, they show interest only in those that cater to their whims. Consequently, they misjudged the economic situation and then hastily unveiled a plan, in the process frittering away what was originally a strong reform momentum. In the end there was no choice but to rectify the economic environment and restore economic order."

A person with close ties to the top levels of the party recently disclosed that some well-known personages from democratic parties had suggested in a political reform plan submitted to the CPC that the party learn from the experience of East European nations, particularly Hungary's experiment in multiparty rule, thereby transforming the "system of multiparty cooperation under the leadership of the CPC," which has been in effect for years, into a "multiparty coalition government." When this plan reached the hands of top-ranking party leaders, one of them commented, "Communist Party leadership is the basis of the state. No reform can change that. This tendency in the proposal should be watched carefully." Not long ago the United Front Department of the CPC Central Committee issued a document to remind party organizations at all levels to think about and be on guard against this issue: What to do if an opposition party appears in China?

The Legitimacy of "One-Party Dictatorship"

In Beijing these days there is no more popular topic in private discussions than the "legitimacy" of one-party dictatorship by the CPC. An individual who works for the Chinese Academy of Social Sciences and has been involved in the formulation of and research on the political structural reform plan told this writer that, 40 years after seizing power, the CPC has never submitted to any real democratic tests. Its frequent mistakes during four decades of rule have made more and more people skeptical about its old claim that it is a "natural leading party." Is it really impossible for another political party, which commands no army but is a powerhouse of talent, to play a leading role on China's political stage? He noted that the CPC has historically claimed to be the representative of the Chinese people, but the people have never been able to supervise and choose the party. Even when the party makes a serious mistake, it is beyond the power of the people to correct its behavior in time. An important reason for this inability is that they cannot express their wishes through other political parties that are on a par with and have the same rights as the CPC and, hence, influence its conduct. Democratic politics is a verifiable process in which choices can be made. No political party can transcend this process and still maintain a natural claim to popular support and trust. Yet the CPC has put itself outside this process. Herein lies the crux of the problems currently facing it: 1) Corruption is not being effectively checked. 2) Misguided policies are not corrected in time. It takes massive chaos and panic in society to wake up the party. 3) Society blames the CPC for all its discontent, so the party cannot absolve its culpability to regain popular support and reestablish its authority in the eyes of society. 4) Lacking strong popular and social support, reform forces within the party were forced to compromise with the conservatives, in the end losing the reform momentum. In the final analysis, the most basic issue remains that under one-party dictatorship there can be no checks and balances, which are fundamental to democratic politics. As long as one-party dictatorship remains, all effort by the CPC to bring about political structural reform cannot effectively achieve social progress and development. According to a friend involved in preparation of the political reform plan at the highest levels, Zhao Ziyang is now pushing for early introduction of "anticorruption regulations." These regulations, however, differ little from similar regulations already on the books. What remains lacking is effective implementation. Hu Yaobang, now living a secluded life, reportedly said of the new regulations, "The CPC is unable to check corruption within itself."

From what I know, it is definitely not just a handful of people who think that way. Similar opinions are widely held among the party's rank-and-file. These people have grown dissatisfied with the promises and moves made by the party thus far regarding political structural reform. The gap between such "advanced thinking" and the tardiness of the CPC may develop into a major problem in mainland politics in the days ahead.

The urgency of political structural reform is also directly related to the political survivability of the leaders of the reform movement. It was precisely because of his failure to score major successes in the political sphere and his lack of a solid political base that Hu Yaobang was easily removed from the political stage. If Zhao Ziyang is to avoid a similar fate, he has no alternative but to find a way out through political structural reform.

Reports suggest that Deng Xiaoping has recently shifted his position somewhat on the issue of political structural reform. He says that, as a first step in political reform, the party may consider tackling corruption and formulating anticorruption regulations. For Deng Xiaoping, the foremost prerequisite for political structural reform is "stability"; without stability, one cannot begin to talk about anything. Yet the source of instability in China today, according to a mainland scholar, is precisely the existing political system, a system that is on a collision course with modernization and the democratic demands of the masses. Only reform can inject stability into the country's political life. The 70th anniversary of the May 4 Movement this year is widely expected to give rise to a new democracy movement. If the CPC fails to grasp the opportunity and stay ahead of the situation, it will face an even greater challenge. According to a recent piece of news, the CPC will hold two "parliamentary debates" when the NPC and CPPCC meet in mid-March and water down the political demands of NPC deputies and CPPCC members. This move may be a harbinger of new political initiatives by the top levels of the party.

Crises of 'Prolonged Stagnation of Reform'
40050477a Hong Kong CHENG MING
[CONTENDING] in Chinese No 138, Apr 89 pp 46-47

[Article by Wan Quanzhou 8001 3123 5297]

[Text] Since the reform of mainland China bogged down and the Chinese Communist Party (CPC) called for improvement and rectification, most people who are concerned with the reform at home and abroad think that there is no other choice, but they all feel that the future of the reform will be more tortuous and unpredictable. Some scholars pointed out at the time that improvement and rectification must guard against the possibility of stagnation and retrogression of reform. In view of this worry, CPC leaders have repeatedly explained that "improvement and rectification" are combined with the "deepening of the reform" and that the direction of reform remains unchanged. However, judged from the actual political and economic developments of the mainland in the past 2 to 3 months, the tendency of stagnation and retrogression is becoming increasingly evident, and people's worry and warning are by no means exaggeration just to scare people.

Stagnation Is More Serious Than Failure of Reform

Su Shaozhi [5685 4801 2535] and Wang Yizhou [3769 6654 5297] were the first to point out the tendency of hidden trouble and retrogression in the reform situation.

They pointed out some tendencies in social and political life that run counter to the progress of the reform. One of the major tendencies is the comeback of egalitarianism which opposes enlarging the difference of income between different people and levels, and the difference of economic development degrees and levels between different areas, regardless of the rationality and legality of such differences. Another major tendency is the comeback of administrative interference and tightened control over economic life and process. Previously advocated ideas such as separating the party from the government, separating the government from the enterprise, and delegating power to lower levels have been put aside intentionally or unintentionally. A third major tendency is the comeback of the unification of the ideological sphere which emphasizes "unified ideology" and uses administrative and coercive measures to tighten cultural and ideological life. Some people contend that "rectification should not go back to the supremacy of administrative power."

Yan Jiaqi [0917 1367 0366] and Wen Yuankai [3306 0337 0418] brought up the issue in a more incisive manner. Yan said: "Now everybody feels there is no way out. Nobody knows what to do...it has become the major problem of China." He feared that "there may be a Brezhnev-style long stagnation." Wen thought there are three choices: "stay here and wait," "go back," or "go forward and get out of the crisis and the mud." They both thought that the occurrence of "stagnant period is more serious than the failure of the reform." They said that "a 20-year Brezhnev-style stagnation would push China's modernization back 50 years or even longer."

Zhao Ziyang Uses the Theory of "National Conditions" To Oppose the Multi-Party System

Several months have passed, and the tendency of stagnation and retrogression has become increasingly evident. A Renmin Ribao commentary of early March admits that the economic situation is still very severe and old problems have not been properly resolved. Scholars pointed out that "inflation" may turn into "stagflation." Some people pointed out that it is not sufficient to analyze China's economic crisis with the so-called "theory of insufficient supply" and the "theory of excessive currency." They said that our problems were caused by "the old system, namely the government's management and enterprise system," but we still emphasize relying on the government's administrative control to solve problems.

What is more noteworthy is that Li Peng recently published an article under the title "Adhere to Direction, Strengthen Confidence, and Advance Steadily" in the magazine of "The Reform of Chinese Economic Structure." The article says that the reform remains unchanged, but it emphasizes that "the nature of public ownership is unchanged." When it mentions "the direction of reform," it only says "to change the highly

centralized 'economic model.'" This is a step back from the development of the "market mechanism" and the "commodity economy" which the CPC advocated in the past few years.

With regard to the political reform, the CPC recently repeatedly emphasized the need to be "prudent." In fact, the reform does not have any content except for what Zhao Ziyang said "make arrangements according to existing principles and do a down-to-earth job under the basic system and overall plan in perfecting the multi-party cooperation and political consultation system under the leadership of the Communist Party." For fear that China may be influenced by the announcement of East European countries on the implementation of the multi-party system reform, Zhao Ziyang repeatedly emphasized that due to the "special national conditions" of China, it is unsuitable for China to practice the "multi-party system" and "union pluralization." The stagnant tendency of political reform also finds vivid expressions in recent actual activities of the CPC. Not only has the CPC not shown any relaxation on the issues of "human rights" and "releasing political prisoners," it has become stricter and stricter. It rebuked the proposal of 33 scholars for "interfering with judicial independence," tried to base its argument again on the so-called "counterrevolutionary criminal cases." This not only has revealed the "bottom line" of the mainland's reform but also shows that the control by the dictatorship of one party is increasing.

In sum, the unavoidable use of administrative control in the course of economic improvement and rectification tends to lead us back to the old road of superemacy of administrative power and great economic unity.

We Should Get Out of the Dead end of Political Reform

Our current problem is this: We must have the courage to make a breakthrough in the reform to avoid prolonged stagnation and retrogression in the course of improvement and rectification and to prevent "deepening the reform" from falling through. To make a breakthrough, we must abandon the "theory of special national conditions," sum up history, draw on the experiences of the Soviet Union and East European countries, and put priority on how to get out of the dead end of political reform.

The change of China's reform from beginning to show improvement to falling into dire straits was unexpected, but not extremely unusual, judged from the history and lessons of reforms in other communist countries in the world. It has a universal nature. In the past few decades, quite a few communist countries have carried out reforms, but none has achieved real success. Almost all of them have gone through tortuous ups and downs. Some have failed and started all over again like Poland and Czechoslovakia which are still exploring. Others continued to explore after falling into crises, made breakthrough, and strived to get out of the crises like

Hungary and the Soviet Union. Still others have experienced prolonged stagnation and disorder, cannot find a way out after going back and forth repeatedly, and is facing growing crises like Yugoslavia. China's reform is carried out in a country where the force of dogmatism and orthodox ideas is much stronger than in any other communist country. Deng Xiaoping, the leader of the reform, is in the same generation of Mao Zedong. He wants to complete "the four modernizations" which Mao Zedong failed to accomplish, but he does not want to become China's Kruschev and achieve modernization in the ideological and political spheres. This is bound to make the road of reform more tortuous.

The Reform Experiences of the Soviet Union, Hungary, and Poland Are the Light of Hope

However, mistakes in Soviet and East European reforms, especially new experiments and breakthroughs in Soviet and Hungarian reforms, may become the light of hope if China can draw on them correctly. I think that countries like China which have serious problems with bureaucracy and the privileged stratum could benefit substantially by learning from political reforms, carried out by the Soviet Union to eliminate the obstacles of bureaucratic and privileged stratum, such as practicing political Glasnost, abandoning various bureaucratic privileges, organizing the election of people's representatives "according to new methods," and giving the people's congress the right to veto laws passed by the Presidium of USSR Supreme Soviet, etc. Antiprivilege measures adopted by the Soviet Union since the 19th People's Congress have been copied by many East European countries. But unfortunately China is still afraid to really touch the root cause of corruption—privileges. For another instance, the development of political democracy in Hungary has made many people, including some party leaders, realize that the multiparty system is unavoidable, that assembly and association are protected by the constitution, not bestowed as a favor by the government, and considered as human rights. Poland has recognized political pluralism and independent trade unions. It has even decided to erect a wall of democracy for people to express their views on all issues including politics. This is the dawn of reform.

Unfortunately the CPC regards it as a dangerous road to take. Although the CPC recently expressed the need to sum up history, its purpose is not to conduct an earnest review of history, but to educate the masses and unify thinking in order to implement existing principles. Therefore, it is impossible to sum up experiences and lessons in a truthful manner. This is indeed a "family heirloom" that has destroyed the family. For instance, last year Deng Xiaoping set the pattern for the review. He said, "We have made many minor mistakes, but no major ones." This is a reprint of Mao Zedong's preaching on "nine fingers and one finger." Recently Li Peng copied this mechanically. In publicizing "the review of

achievements made in the past 10 years," some newspapers and periodicals bragged about even those "overheated" things. They wrote about how much investment has increased, how much the scale has expanded, and how many personnel and equipment have increased in 10 years, but they did not mention how much corruption has increased and how much efficiency has declined. As a matter of fact, the reform has many problems. Some scholars have already pointed out "five insufficiencies in the reform tactics." 1) Theoretical preparation is insufficient, and for a long time we have been feeling our way as we go. 2) The main direction of attack is inaccurate, the economic reform has been hopping along on one leg with the political reform lagging behind. 3) The policy-making pattern is rigid, and final decisions are made by only a handful of brain trusters and leaders. 4) The main body of the reform is lost, and the reform lacks the enthusiastic support of millions of participants. 5) Self appraisal is inaccurate, and gains and losses cannot be handled correctly. But the authorities have turned a deaf ear to these opinions.

It is of course unrealistic to demand a perfect theory and plan to guide the unprecedented reform from the very beginning, but it is absurd to start it off by imposing theoretical and ideological restrictions. The "theory of national conditions" which Zhao Ziyang has been repeatedly advocating is exactly such an inhibition. The so-called "theory of national conditions" is actually a shield used by all who opposed China's reform and progress in the past. When the KMT used it to oppose the CPC, it was already an old trick, not to mention what happened a long time ago. But we have never thought that the CPC would have used it to suppress an earnest reform. What is more ridiculous is that the CPC even used the "theory of national conditions" to reject East European reforms which are also communist reforms. In spite of historical, cultural, and regional differences, the reforms of different communist countries are not very different regarding the basic conditions of social system—namely the political system of dictatorship by one party, a state planning economic system, and the official ideology of Marxism and Leninism. Such political, economic, ideological, and cultural systems are exactly the basic common obstacles in the development of these countries.

One-Party Dictatorship Has Proved a Failure

In fact, all that is formed in history must perish in history. The question is the change of conditions. Nothing is forever in the world. That the ability of the Communist Party to lead in the past and at present does not mean that it can lead forever. The multi-party cooperation and political consultation systems under the leadership of the CPC are products of special historical conditions. In the past anti-Chiang democratic movement, only the military and political forces of the CPC accumulated during the Resistance Against Japan could lead, and other democratic parties had no choice. But

one-party dictatorship in peaceful democratic construction, rejecting different political views, and arbitrary action have been proved a failure in the 40 years of practice. This is exactly the primary issue of today's reform. No matter how superior the multi-party cooperation and political consultation systems are under the leadership of the CPC according to the all-out propaganda currently being carried out, which makes the part of cooperation and consultation especially interesting, the essence of these systems is one-party dictatorship of the CPC. As long as this essence remains unchanged, no matter who is the party leader, it is inevitable to continue the prerogative of one party. The system of prerogative is bound to corrupt the ruling party and give birth to autocracy. This is an unchangeable law of history.

In sum, to avoid prolonged stagnation and retrogression, the CPC has to earnestly review history, draw on the new experiences of the Soviet Union and Hungary, and make bold breakthroughs in the reform of political system. If it can do so, it would be able to get out of the predicament and enter into a new stage of reform and development.

Remnants of Cultural Revolution Called 'Virus' Impeding Reform

40050477b Hong Kong CHENG MING
[CONTENDING] in Chinese No 138, Apr 89 pp 51-53

[Article by Shi Buke 1102 0008 0668 of Canada: "The Sequela of the Cultural Revolution and Obstacles of Reform"]

[Text] Today the Chinese Communist Party [CPC] has not walked out of the shadow of the Cultural Revolution. Deng Xiaoping's "four adherences" are not much different from Lin Biao's "four never forgets." During the later period of the Cultural Revolution, people worried about separatist warlord regimes. Now people have begun to face increasingly evident separatist economic regimes. As the leader of the Central Cultural Revolution Group, Chen Boda [7115 0130 6671] was released long time ago, but Wei Jingsheng [7614 0079 3932], who demanded political modernization, is still in prison. The Cultural Revolution hurt people's feelings and made the people sad, but political modernization is going to shake the fundamental rule of the CPC. Now that China has fallen into crisis, ruling methods copied from the Cultural Revolution such as military control, criticism, and mass movement may be all dished up in new forms.

Undoubtedly, mainland China faces a serious political and economic crisis this year. And this year happens to be the 10th anniversary of the reform led by Deng Xiaoping, the 20th anniversary of the Zhenbao Island Incident between China and the Soviet Union, the 30th anniversary of the failure of the Great Leap Forward, and the 40th anniversary of the CPC's seizure of political power. Judged from historical point of view, the root cause of China's current crisis can be summed up in one phrase—the sequela of the Cultural Revolution. In other words, the CPC has not walked out of the shadow of the

Cultural Revolution. It has not made a clean break with the doctrines, concepts, systems, and even methods that shaped the Cultural Revolution. Deng Xiaoping's "four adherences" are hardly different from Lin Biao's "four never forgets."

I recently went to China on a business trip and stayed there for over 2 months. I discovered that the most noticeable change in society is that most people have lost faith in the future of society. Many people repeatedly ask themselves, their relatives and friends, and me one common question—"when is this going to end?" This is Beijing colloquialism, meaning "when is suffering going to stop?" The word "end" is used when one feels that there is no way out but refuses to accept it.

Reflection of Zhao Ziyang's Situation

Judged from the power structure, Zhao Ziyang's prestige has declined substantially. According to a recent rumor in Hong Kong, he would step down and force Deng Xiaoping, who claimed to be retired, to come out and personally reassure the people.

Last year Zhao Ziyang had quite a few grievances. He allegedly sighed: "Last year (referring to 1987) students still supported the reform during their riots; this year even rioting students oppose the reform." Why did Zhao's reputation suffer such a disastrous decline? I think that the primary cause is that in the past 10 years or so, Zhao has told the people that he is nothing but a liberal member of the gentry under old concepts.

Let us compare Zhao Ziyang with Gorbachev of the Soviet Union. The latter is playing an increasingly important role in the Western press whereas Zhao has almost disappeared from it. Gorbachev is a person of special characteristics. Most people in the West think that he has new ideas and represents the new generation of the Soviet Union. Zhao has never received such an evaluation. He is only a shadow of Deng Xiaoping. Although there are rumors that he thought the CPC was wrong in the past 30 years, that was only a judgment of concrete specifics, not a call for a change of basic concepts.

The scene that can best explain Zhao's thinking was the extemporaneous speech he made last year when he accompanied Deng Xiaoping on a tour of the positron collider in the Chinese Academy of Sciences. In this speech, he reaffirmed the CPC's practice of "tackling key problems" by saying that the positron collision experiment proved once again the function of the practice of tackling key scientific and technological problems. But military methods used by the CPC to manage science, technology, and economy in the past 40 years are exactly the root cause of the CPC's economic failure. During the housing reform, Zhao said "the whole task was accomplished at one stroke." When he presided over the State Council, he used only 1 year to "complete" the substitution of tax for profit delivery. But he failed to establish

proper tax laws, train competent tax collectors, and establish complete tax bureaus. He did not even clarify the rights of ownership. Looking back, the CPC's first hydrogen bomb and first satellite were made during the Cultural Revolution. While China was successfully retrieving its first satellite, Chinese economy was on the verge of bankruptcy. The success of "tackling key problems" and "mass campaign" turned around and caused even stronger adverse effect on the economy, resulting in serious imbalance. What is the use of negating the Great Leap Forward if the concept remains unchanged?

Zhao Ziyang's current situation is a typical reflection of the shock of the Cultural Revolution on the power of the central government. The CPC is an autocratic party. The high concentration of such power within the party eventually led to the eruption of the Cultural Revolution. As a countermeasure, higher levels of the CPC seek a kind of fake separation of powers and mutual precaution. Deng Xiaoping does not want to be the chairman and remains active after several announcements of retirement. Chen Yun, Li Xiannian, Peng Zhen, and Yang Shangkun are still active after retirement. The advisory commission not only consults but also advises on every issue. All this reflects the power shock of the Cultural Revolution. They try to use this behind-the-scene method to avoid political responsibility. It was under this condition that Zhao Ziyang and Hu Yaobang became premier and general secretary. However, when Hu Yaobang, the ideological shield, was knocked down by the antiliberalization movement, Zhao Ziyang, who had avoided getting involved in ideological struggles, was rushed to the more dangerous and superficial position of general secretary. This is more dangerous and superficial because after Hu stepped down, the position of the CPC general secretary officially became a puppet position, but the general secretary has to take responsibility for mistakes in the performance of the CPC. (Last year's price reform was clearly Deng Xiaoping's decision and Zhao was only its enforcer, but he had to take all responsibilities for Deng anyway.) Since Zhao is a puppet, he cannot express his own opinions. He can only trim the sails of the Communist Party according to the winds of Deng Xiaoping. Tossed between senior statesmen of the CPC, he has the advantages of both left and right, but he cannot please either side.

It is not that Zhao Ziyang did not know about the corruption and decadence of high-ranking officials, but referring to Fang Lizhi's [2455 0536 0037] exposure, he said at a restricted meeting: "Whoever spreads the rumor that high-ranking officials have overseas deposits must show evidence; otherwise, he or she would be considered a slanderer." He tried to use this to appease conservatives and bureaucrats, but instead, he lost more of the people's trust.

In the latest Fang Lizhi incident, Zhao Ziyang again warned the United States not to interfere with Chinese human right issues. Like in the past 40 years, he forbids foreigners to meddle with the violations of human rights

under the pretext of internal affairs. This is exactly the same mentality as that of those ignorant people who do not consider beating their own children as illegal and blame others who called the police for interfering. Like other CPC big shots, Zhao Ziyang considers Chinese people as subjects whose life and property are completely under his control, whereas the Soviet Union has already permitted Sahkarov to campaign for human rights in North America. In the past, the CPC thought that the Soviet Union yielded to imperialism, wantonly attacked the state of the whole people, and criticized the Soviets as revisionists. Today the CPC is still lagging behind politically. It does not criticize Soviet revisionists anymore, but it uses the ridiculous label of liberalization to suppress all intellectuals at home who agree with more liberal political ideas in East Europe and the Soviet Union.

The incident in which the Soviet Communist Party criticized Stalin led to the deterioration of Sino-Soviet relations in the past. Then history repeated itself 30 years latter. The CPC is the only party in the whole wide world that still insists on displaying Stalin's statue and recognizes his teacher's position.

Sequela of the Cultural Revolution Is Found in All Strata

China's education has come to the verge of collapse. This is an extension of the "education is useless" theory of the Cultural Revolution period. Theoretically, the political tendency of the Cultural Revolution period was to negate intellectuals, but in today's actual economic life, knowledge has depreciated. So education is still useless, and there is no essential difference between now and then. The reasons are: 1) The CPC itself is poor in theory and cannot convince people by reasoning. 2) None of the major CPC leaders had formal education. They always consider intellectuals as on the opposite side. During the 1987 antiliberalization campaign, Deng Liqun said at a closed-door meeting: "This bourgeois liberalization is nothing but rebellion by intellectuals, especially intellectuals within the party." How much difference is there between this speech and those of Mao Zedong and Deng Xiaoping during the anti-rightist movement? Mr Wang Ruoshui [3769 5387 3055] once told me that Zhao Ziyang did not want to invest in education either because he is also eager for quick success and instant benefit.

In fact, the so-called reform is to change the planned economy step by step to the commodity economy. But 10 years have passed, the commodity economy has not been developed on an initial scale, the market supply and demand has not improved the quality of products or accelerated replacement. Instead, it has created an economy that is more dangerous than speculation, which the officials refer to as the dual-track economy and the people refer to as the "official profiteering" or "government profiteering." I think it should be referred to as the power economy—people with power use things that

have absolutely no material value such as quotas and ration coupons to wantonly amass wealth. Such corruption verging on madness began in the later period of the Cultural Revolution. The Cultural Revolution was once referred to as the great revolution that touched the soul. Now it looks like a great revolution that stripped the people of their souls.

During the Cultural Revolution, there was another thing called "factionalism," namely a departmentalism. At that time, a person's life, property, and position were all unprotected, so individuals had to be attached to a group called a faction. Today this factionalism has ripened, and people call it a struggle between the big and the little communist parties. When the CPC procured Chinese cabbages at 7 fen a jin and sold them to urban residents at 3 fen a jin in order to reassure the people, the grassroots units of the CPC sent trucks to rural areas at night to procure at 1 jiao and 5 fen a jin because the police of the big Communist Party stopped and searched cars on the road during the day.

One can do almost everything as long as it benefits everybody or somebody in his unit, and he does not even have to cover it up. The political stick is not used unless somebody refuses to cooperate.

During the Cultural Revolution, one could discuss anything he wanted within his faction. Fighting Mao's quotation battle and criticizing capitalist roaders were shows put on for outsiders and a means of survival. Today people have become more practical, and "free discussion" has been replaced with economic interests. If various organs, enterprises, and military units are considered to be engaged in a veiled struggle with higher authorities, various administrative departments such as departments, provinces, municipalities, prefectures, counties, and even townships should have been considered as semi-open separatist economic regimes. The reason that many counterfeit medicine, wine, and name-brand products can be mass produced and circulated through official channels is because they are supported by local government organs. During the later period of the Cultural Revolution, people worried about separatist warlord regimes. Now people have begun to face the increasingly evident separatist economic regimes. We could say that capitalism has not been really developed in China, but feudalism which existed on the eve of European industrialization has found a place to grow in China.

The Cultural Revolution did not occur by accident. The reason that Mao Zedong became the autocrat of the CPC and had his own way is because he had a social basis. The Cultural Revolution was an agglomeration of evil tendencies within the CPC and a conflict created by various CPC policies that were against social progress. After it seized the political power in 1949, the CPC changed Chinese society into a slave socialist society through several political and economic movements. This is not deliberately exaggerated so as to create a sensation. The

primary characteristic of slave system is the deprivation of personal freedom, which the CPC has certainly accomplished. The people's commune and household registration systems completely deprived people of their personal freedom. Peasants were strictly tied to the land where they were born and raised except for those individuals who joined the military, accepted employment, or went to colleges. They had no land and could not decide what to plant, and there was no such thing as paying land lease because all they could get was a little grain ration with which they could barely sustain their life. The majority of them could not earn any cash all year. Commune cadres had absolute power over subordinate peasants. At one time, they forbade peasants to cook their own meals. The so-called landlords, rich peasants, counterrevolutionaries, and bad elements among peasants were treated worse than mute animals.

This personal affiliation relation remained essentially unchanged in urban areas. Nobody had the right to choose where to work or live. After near-random assignment, a person's life was completely controlled by his "unit." Almost everything, including type of work, wages, advanced study, housing, marriage, childbearing and rearing, and punishment, was either decided or approved by higher levels. A file which one could never see followed him as if it were branded on him until his death.

Now this slave system undoubtedly has begun to crumble. This is caused by the household contract system which achieved instant success in the initial period of the reform. But the personal affiliation concept cannot be disintegrated immediately. The government refers to farmers who quit farming a long time ago as leaving the soil but not the village. This is why today China has "peasants" engaging in commerce, running hotels, and engaging in shipping. But they are not entitled to public health care, their children cannot go to neighborhood schools, they do not have grain ration or subsidies for price increases, because the government still refuses to officially recognize their freeman status. Then who are they? Are they peasants who lost land during the British land encirclement movement or black slaves who fled to the north from the south during the American Civil War?

Reviewing such historical backgrounds helps us understand why Mr Wu Zuguang [0702 4371 0342] brought up the term "feudal liberalization." Strong feudal mentality happened to be a major characteristic of the Cultural Revolution. Extravagant funerals, building tombs for living people, polygamy, and discrimination against women in urban employment are all expressions of feudal liberalization. Feudal production methods such as manors and landlords have also emerged as the times require.

Sequela of the Cultural Revolution Is Far From Being Cured

Today China tries to base its reform simply on the economy, to maintain the rule it has had since the CPC seized the political power, and to avoid any fundamental

changes. This is because those who have the real power in China today are the same group of people who built China into a slave socialist society during the past 40 years. Filled with slavish and feudal ideas, they do not even know what capitalism is. They opposed the Cultural Revolution because they lost temporarily in the upper-level power struggle. Other than this, they had absolutely nothing against the Cultural Revolution. The history of the Cultural Revolution was sealed off immediately after their revenge was completed. All intellectuals who tried to study the Cultural Revolution and review its history have been attacked and even persecuted to different degrees. On the contrary, scholars of the Central Cultural Revolution Group were allowed to openly exonerate themselves. As the leader of the Central Cultural Revolution Group, Chen Boda was released long time ago, but Wei Jingsheng, who demanded political modernization, is still in jail. Is it because his crime is more serious than Chen Boda's? Or is it because he is more dangerous to China? Apparently, the CPC authorities think so. The Cultural Revolution hurt people's feelings and made people upset, but political modernization will shake the fundamental rule of the CPC.

Like a tornado, the Cultural Revolution blew all sediments into the air. We have to wait for a long time before all the dust can be settled. If the Cultural Revolution did not have sequela or if its sequela could be prevented, the Cultural Revolution would not have been considered a catastrophe. During the current crisis of China, the undercurrent of reminiscence of the Cultural Revolution may come to the surface, and ruling methods copied from the Cultural Revolution, such as military control, criticism, and mass movement, may all be dished up in new forms. This sequela has just begun to develop. Its characteristic is to render all new-born economic or political tendency useless and make them lose their original progressive meaning and become an empty term. Under this new term, the virus of the Cultural Revolution continues to survive tenaciously.

While there is no wonder drug to kill off the political AIDS virus, the only solution is to develop education and build up people's immunity drop by drop. The sequela of the Cultural Revolution will probably recede in the middle of the next century.

NATIONAL AFFAIRS, POLICY

Official on Improving Contract System
HK1805061189 Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA ECONOMIC SYSTEM REFORM]
in Chinese No 4, 23 Apr 89 pp 6-9

[Answers of Zhang Yanning 1728 1750 1380, vice minister of the state Commission for Economic Restructuring, to reporters' questions on the contracting issue—first paragraph is ZHONGGUO JINGJI TIZHI GAIGE introduction]

[Text] Emphasis on grasping well 10 items of work in the current perfection and development of the operation contracting system: rational determination of the contracted base figure; earnestly and truly fulfilling the contract; augmenting the enterprise's restrictive mechanism; improving the contract-issuing structure; advocating all-staff risk deposits; promoting and pushing competition in tender invitation; trying out the system of separation of funds in accounts; paying important regard to personnel training; grasping well reform in enterprises' internal coordination, strengthening enterprise management and control; and perfecting industry and trade contracting.

Reporter: Comrade Yanning: will you kindly tell us what progress has been made in the 1988 enterprise contracting work?

Zhang Yanning: Enforcement of the contract system enabled the further display of the enthusiasm of the staff members and workers and the enterprises' hidden potentials. In 1988 the contract system went through a severe and critical test but under the conditions of an extremely difficult external environment, the enterprise contracting work achieved much progress, principally manifested in the following three respects: 1) further enrichment of the contents of the contract system and further progress made in the reform of the enterprise's internal coordination; 2) a continued increase in the enterprises' economic benefits; and 3) an upsurge of a number of new classical types of reform and creation.

Reporter: will you please amplify?

Zhang Yanning: Very well. First, by far the great majority of enterprises enforcing the contract system in 1988 obtained relatively good economic benefits. Last year, the industrial enterprises under the system of ownership by the whole people and listed in the national budget realized a gross volume of profits and taxes of 155.7 billion yuan, a net increase of 23 billion yuan over the preceding year, and a growth rate of 17.4 percent. Of them, the 9,024 large and medium-sized industrial enterprises owned by the whole people and enforcing the contract system realized a 20.8 percent increase in profits and tax over the preceding year. If other factors causing increases in expenditure such as the electric power construction fund levied by the state are included

therein, the extent of the increase in the enterprises' profits and taxes will be even larger. It the same time the whole staff labor productivity rate of the industrial enterprises, their profit and tax rate on industrial capital, the turnover period of their fixed circulating funds, the combined energy consumption rate for every 10,000 yuan of industrial output value, and other such economic targets have in varying degrees been raised and have taken a turned for the better. From the gross volume of realized profits and taxes amounting to 155.7 billion yuan, 107.8 billion yuan, or 69.2 percent, were delivered to state finance; repayment of loans amounted to 17.3 billion yuan, or 11.1 percent; delivery of energy and communications funds amounted to 4.1 billion yuan, or 2.7 percent; and the enterprises' net retention amounted to 23.47 billion yuan, or 15 percent. Of the newly increased 23 billion yuan of profits and taxes, 11.38 billion yuan, or 49.5 percent, was delivered to state finance; 4.25 billion yuan, or 18.5 percent, was spent on repaying loans; 690 million yuan, or 3 percent, was delivered to the energy and communications fund; while 3.89 billion yuan, or 16.9 percent, represented the enterprises' net profit retention. From these two sets of figures it can be clearly seen that of the enterprises' realized profits and taxes, by far the greatest portion was delivered to state finance.

Naturally, when analyzing the results achieved by our enterprises in economic benefits, we cannot but see that a very large discrepancy still exists. From now on, we should still, through deepening the reform and strengthening management, further tap the hidden potentials of the enterprises.

Moreover, the various localities, responding to the demands of the party central committee and the State Council on coordinating, perfecting, deepening, and developing the contract operation responsibility system, and acting in combination with the realities of the localities, have been actively probing and have been brave in increasing the new. Last year on the various sides of reform rather great progress was made and there has been an emergence of a number of progressive models in reform and creating the new. They have displayed experiences in various respects and from various angles, amply reflected in the new progress made last year in the contract system, and also reflected in the pleasing progress made on various sides such as in the formation of encouragement mechanism, competitive mechanisms, risk-taking mechanisms, and restrictive mechanisms.

Reporter: In the improvement and rectification work this year and next year, how will the contract system be pushed forward?

Zhang Yanning: This year and next year, our enterprise reform will be conducted in the great atmosphere of improvement and rectification. Seen from the conditions recently reflected in the various localities, in the

improvement and rectification, the external environment of the enterprises' production and operation is a serious and stringent one. At the moment, the stringent condition in funds, raw materials, energy, and transport has not been seen for many years. The party central committee and the State Council are extremely concerned with these problems and are taking measures to gradually solve them. In order to truly enforce the central authorities' guideline on improvement and rectification, stabilize the economic situation, stabilize the enterprises, and stabilize the people's confidence, this year and next year, the major points in enterprise reform will be as follows: We must, in a down-to-earth manner, perform a good job of the contract system and, regarding those good experiences and good methods which by actual practice have proven to be effective, they should be pushed further, and on the basis of their consolidation and perfection. In the preceding 2 years, enforcement of the contract system enabled us to overcome the difficulties, stopped the decline in government revenues, and fully demonstrated its vitality. From now on, we must still rely on contracting to ensure an increase in financial revenues, the augmenting of the enterprises' stamina, the increasing of effective supply, and the arousing of the enthusiasm of the enterprises and their staff members and workers.

Reporter: Is it true that at present the main task of the reform of industrial and commercial enterprises is to perfect and develop the contract operation responsibility system?

Zhang Yanning: Yes. To fulfill this task requires the adoption of corresponding countermeasures against the problems and difficulties existing in the enforcement of the contract system, so as to push the contract system to a new level. The major points call for grasping well the following lines of work:

— Rationally fixing the contracted base figure. The problem of the contracted base figure is a problem of a strong policy character and is related to the interests of various sides. Seen from the actual 1988 results, over 90 percent of the contracting enterprises fulfilled the economic benefit targets fixed in the contracts. This illustrates that the contracted base figures fixed in the various localities were basically rational, and that particularly in the case of enterprises which had undergone competition in the submission of tenders, their contracted base figures were all the more rational. Naturally, due to the work not being detailed enough and to insufficient experience, among a small portion of the enterprises the phenomenon of the base figure being either too high or too low did exist. In view of the fact that this year 20 percent, and next year 50 percent of the contracting agreements of the enterprises are due to expire and will need renewing, we should utilize this opportunity to make the fixing of the base figures more scientific and rational. The initial supposition is: Based on the demands of the state's industrial policy

and the requirements of the contracting regulations, and according to the profit-tax rate on the capital funds of the same industry or trade in the localities and the net output value rate of wages, we should try our utmost to adopt the method of tendering to determine the contracted base figure. In the case of enterprises whose contracting period has not yet expired, in principle their base figure will remain intact, whereas in the case of enterprises under changeable or movable contracting, their base figures may be appropriately readjusted according to the concrete conditions.

— Earnestly fulfilling the contract. This is an important link in the firm insistence on contracting.

Reporter: According to reports, last year approximately 10 percent of the enterprises did not fulfill their contracted agreements. Due to the relatively large changes in the outside environment and prices rising too fast, this was a blow to enterprise contracting.

Zhang Yanning: Hence, countering such conditions, in fulfilling contracts the various localities have all adopted appropriate measures and in this regard have accumulated certain good experiences which manifested on the one hand the solemn character of the contracts and on the other the flexibility of the policy. These experiences may be summed up in the following four phrases: All-round inspection and evaluation, firm insistence on contract fulfillment, rational guidance, and readjustment according to circumstances. All-round inspection and evaluation refers to the fact that fulfillment of the contract must be audited, so as to avoid cases of false profits but actual losses. Firm insistence on contract fulfillment refers to the fact that in principle all enterprises which have fulfilled the contracts or not yet fulfilled the contracts must fulfill the contracts. The crucial point here is to handle well the fulfillment problem of enterprises which have not yet completed the agreements and to achieve the objective that the income of the enterprise's entrepreneur and the staff members and workers floats up and down with good or poor economic benefits. Rational guidance means that there must be augmented policy guidance over the use and distribution of the enterprise's profit retention, that the enterprise must be encouraged to spend more of the funds on developing production, and that enterprises which have relatively large profit-retentions should be encouraged to set up salaries and wages reserve funds and contracting risk funds. Readjusting according to circumstances refers to the fact that in the course of contract fulfillment, "top-breaking" enterprises and "downward sliding" enterprises should be appropriately dealt with. "Top-breaking" enterprises have come about under three possible conditions. First, reliance on actual ability and prowess has greatly increased the profits of the enterprises; second, in the crash buying last year, the enterprises earned large profit increments; and third, their contracted base figures were fixed too low. The various localities have adopted different measures in treating these three categories of enterprises. Thus, regarding profits earned by means of sheer ability and

prowess, they may in principle be retained by the enterprises concerned, but their payment into the production development fund must be appropriately raised in proportion; regarding extra income earned from the rise in commodity prices, the state may consider taking an appropriate share, or the ratio of payment into the production development fund must be raised; and so for those enterprises whose base figures have been set too low, adjustment should be made through correspondingly raising the progressively increasing rate of delivery of profits and taxes to the state. In the case of "downward sliding" enterprises, the principle of self-compensation should be adopted and the enterprises should effect compensation through using their self-owned funds and their risk-deposit funds; the insufficient portion may be made up either through finding ways and means to raise funds or by resorting to the practice of owing the account first, and paying in the following fiscal year. Regarding enterprises which truly have been badly affected in production and have suffered a large-scale drop in profits because of the sharp rise in the prices of raw materials, or serious shortage in energy supply or other external factors, certain localities have also dealt with them according to the circumstances. The above-mentioned experiences should be of help in contract fulfillment from now on.

— Strengthening the enterprise restrictive mechanism. Setting up an enterprise restrictive mechanism is a long-term task in enterprise reform. In improving and rectifying, strengthening of the enterprise's restrictive mechanism is especially important. Regarding whether or not the state's various adjustment and control measures can be carried out and whether or not the tasks in improvement and rectification can be fulfilled, the enterprise bears a rather great responsibility.

Reporter: It is true that under the current conditions of the market not having been fully developed, the serious shortage in the supply of the principal raw materials and energy, insufficiency in effective supply, and the double-track price system being still in operation, demanding that the enterprises set up a perfect self-restrictive mechanism is rather difficult. But decidedly there are certain enterprises, particularly the large and medium-sized enterprises, which, as a result of their truly and earnestly implementing the contracting conditions, paying attention to developing their stamina, noting the control of consumption, always talking about and having in mind the enterprise's benefits, and treasuring the enterprise's reputation, have achieved outstanding success in the establishment of an enterprise self-restrictive mechanism.

Zhang Yanning: Based on the experiences of these enterprises, it is found that to set up a restrictive mechanism in the course of perfecting the contract system, we must place the emphasis on doing a good job along the following lines of work: 1) The enterprise must have a long-term development strategy, the contract period

must be correspondingly prolonged, and there must be a close combination between the contracting period, the term of office of the plant head, and a long-term development strategy. 2) In accordance with the enterprise's long-term development strategy, scientific contracting targets must be fixed which not only should definitely call for fulfillment of the current year's target of delivery to state finance of profits and taxes, as well as fulfillment of the enterprise's technical transformation tasks, but also pay heavy regard to examining and checking the targets for the labor productivity rate, the profit and tax rate on capital funds, the net output value rate of salaries and wages, and particularly the target for the quality of products. 3) Surrounding these targets, the enterprise internally should continue to improve the structure of the economic responsibility system, rigidly enforce economic and financial discipline, strengthen financial management, and at the same time bring to perfection the enterprise's self-supervision and auditing system and suitably display the roles of the party committee's protection, assurance, and supervision and of democratic control on the part of the staff members and workers. 4) Improving and perfecting the methods of linking work results. 5) Strict observance of the state's relevant economic regulations, strengthening education in professional morals, and raising the sense of social responsibility of the entrepreneur and the staff members and workers.

— Strengthening the contract structure. At the moment the localities differ from each other in their methods. From now on, for the sake of avoiding administrative intervention and accomplishing the separation of government from enterprise affairs, the contract-issuing organization should be an operation entity under the management structure of state-owned assets. In the coming 2 years, we may select localities which have done a good job in enterprise contracting to serve as the pilot points. Regarding localities which do not possess the qualifications for serving as pilot points, it is necessary that the contract-issuing structure and personnel are fairly stable, that the responsibilities and obligations they bear must be clear-cut, and that an inspection and supervision system over the contract-issuing structures should be correspondingly established.

— Advocating whole-personnel risk protection deposits. The experiences of certain localities and enterprises have shown that enforcing the system of whole-personnel risk protection deposits can to a definite degree raise personnel's consciousness in participating and make the relations between the entrepreneur and the staff members and workers become close and intimate, strengthen the enterprise's cohesive power, and be helpful to the formation of the risk protection mechanism. At present, it is particularly necessary to advocate that enterprises incurring difficulties in operation and bearing fairly large risks should carry out the system of whole-personnel risk protection deposits, let the risk-protection mechanism display

its functions, and arouse the activism of various sides. Enterprises which have fairly good economic benefits may transfer a portion of the bonus and encouragement funds to become risk protection deposits. Funds from the risk protection deposits may only be used to supplement the enterprise circulation funds and may not be used for other purposes.

— Pushing and expanding competitive tendering.

Reporter: Competition in the submission of tenders can inject vitality into the enterprises. Its principal significance is that it makes possible selection of the best entrepreneur, invites the submission of good contract programs, and facilitates the reform of the personnel system.

Zhang Yanning: At present roughly 30 percent of the tenders are on a competitive basis. This year and next, about 70 percent of the enterprises' contracting agreements will expire. We should grasp the opportunity of renewing the contracting agreements, grasp well tender invitation for the contracting well of the large and medium-sized enterprises, and do our utmost to achieve the objectives of standardization, systematization, and reduction of administrative intervention.

- Trying out the funds separation accounts system. The system of separating funds into different accounts calls for, under the prerequisite of not changing the nature of the system of ownership by the whole people of the enterprises, separating into different accounts funds created in the contracting operations into state funds and enterprise funds and handling them in separate and different accounts.
- Paying special regard to personnel training. Herein lies the basis for raising the quality of the enterprise. We must incorporate the work of training staff members and workers into the contract operation responsibility system and the plant head's term of office target responsibility system, to be subjected to periodic examination and assessment, like the economic targets. We are presently studying the formulation of a system of "qualification certificates for entrepreneurs of contracted enterprises," gradually carrying out the measure of training first and submission of tenders afterward, so as to elevate the quality and reputation of those submitting tenders.
- Grasping well the reform of the enterprise's internal coordination, and strengthening enterprise management. In intensifying the internal reform of the enterprise, we must continue to grasp well the reform of the leadership structure, distribution system, and personnel and labor system. We must positively and in a stable manner push improvement of the labor units and improve the structure of the management

personnel, rationalize the labor organization structure and personnel allocation, and create the mechanism of contending for post assignment and regulating income according to one's contributions.

Reporter: In improving and rectifying, strengthening of enterprise management is of extreme importance. If the enterprise's structure is not solved, the enterprise cannot possess vitality, but if the enterprise's structure is reformed and still no improvement is made in management, then the strong points of the new structure cannot be manifested.

Zhang Yanning: Therefore, simultaneously with enforcement of the contract system, we must grasp management well, particularly in the large and medium-sized enterprises of a backbone nature.

— Perfecting trade and industry contracting. This has reference, based on the state's industrial policy, to enforcing among the trades and industries contracting for fulfillment of input and output targets. The purposes are to ensure the implementation among the trades and industries of technical transformation and technological progress and to display the full capacity and dimensional benefits of the trades and industries. Unfortunately, at present in certain trades and industries the input in technical transformation is not exactly as anticipated. At the moment, in perfecting trade and industrial contracting, two points must be noted: First, input must be definitely assured, stamina must be augmented, and there must be a combination of current benefits and long-term development. Second, within the trades and industries, enterprise contracting must also be enforced, we must avoid the practice of "everybody eating from the same big pot" at the expense of the trades and industries, and the power that should be delegated to the enterprises must be firmly so delegated so as to arouse a positive attitude on various sides internally in the trades and industries.

Problems Emerge in Shareholding System
40060543 Beijing ZHONGGUO JINGJI TIZHI GAIGE /CHINA'S ECONOMIC STRUCTURE REFORM/
in English No 3, 23 Mar 89 p 47

[Article by Xing Youqing 6717 1634 7230: "Several Problems Exist in the Shareholding System Experiment That Urgently Need Resolving"]

[Text] Recently through surveys conducted in several cities we learned of some problems that exist in the experimental enterprise shareholding system that urgently need the attention of concerned departments.

Some areas in conducting the experimental shareholding system have lost control. According to what was learned some areas were planning to expand the experimental scope of the shareholding system before they possessed

the right conditions. A certain city already has experimental shareholding systems in over 1060 enterprises and the municipal government requiring shareholding experimentation be practiced on a wide scope even in small enterprises. There was also one municipal government that proposed this slogan "1989, the year of the shareholding system." This year the city plans to universally practice the shareholding system in its collective enterprises and has selected a certain number of large and medium sized private enterprises to also carry out this experimentation. These enterprises will individually adopt measures to have staff and workers become shareholders, convert accumulated capital to shares for sale, issue stocks for public consumption, and implement the shareholding system in newly established enterprises.

Individuals being able to become shareholders is a big enticement in the shareholding system of some enterprises. This may lead to rapid inflation of consumer funds and effect the reserve strength of enterprise development. Becoming a shareholder in these enterprises enables individuals to obtain tangible benefits.

First, enterprises experimenting with the shareholding system generally experienced a situation of low property appraisals. This way individuals investing in shares could acquire them fairly cheaply creating a loss of property for the state or collectives. If a factory offers a shop for sale that has already undergone technology reform and is purchased with the accumulated funds of staff and workers it then becomes a shareholding system shop within the enterprise. That factory only arranges for property appraisals for the shop's buildings and equipment and only calculates the net value. It doesn't do any price planning for the shop's related plumbing, electricity, access roads, and land use fees.

Second, many stocks are risk free, many enterprises combine dividends and bonuses and not only do the dividends exceed the cost and have early returns but also due to these high dividends and bonuses there is little profit left after paying taxes to use in developing production departments. For example, a woolen blanket mill in one city had free flowing bonuses for individual shareholders and also assigned an amount of money as a risk fund from the state and enterprise stock income to pay individual adjustment taxes on stock dividends. One factory when conducting the contract system had 30 percent of production funds left over as profit after taxes but only had about 10 percent left when it used the shareholding system.

Third, there are various types of preferential treatment practiced for individuals purchasing shares. One shareholding company conducted a purchase eight return two policy for stock purchases of a worker and staff purchasing company in a subordinate enterprise, 20 percent of these funds are defrayed by the enterprise. Some enterprises take leftover funds and change them into individual shares free of charge.

In light of the above situation we propose the following:

- The scope of enterprise shareholding system experimentation should be strictly controlled. The examination and approval and limitations on authority should be appropriately centralized for enterprises practicing experimentation with the shareholding system and it must be strictly stipulated that these enterprises possess the needed conditions so that the practice of some areas blindly expanding their experimentation can be stopped.
- Firmly prescribe the method enterprises are to use in conducting shareholding experiments and after approval by the State Council we should work hard to quickly promulgate and implement this method in order to strengthen correct guidance of work in the experimental shareholding system.
- At the present time we should mainly conduct shareholding experiments in unprofitable enterprises. In the course of shareholding in these enterprises we should conduct active study and create conditions to establish and improve the enterprise internal stock market and enable timely reflections of trends in stock prices and guide the strong interest that shareholders have in share dividends towards increased value of shares; have shareholders change their focus from short-term profits to long-term gains; and cause the majority of dividends that become consumer funds through increased share values change into production funds.
- We should conduct a check up of enterprises that are already practicing the shareholding system. For enterprises that issue bonds we need to make a clear cut separation of total personnel mortgage contracting and the trial shareholding system.

Speed of Monetary, Economic Growth
40060625 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 3, 20 Mar 89 pp 64-68

[Article by Guo Kesha 6753 0344 5446 of the Economic Research Institute of the South China Teachers College: "Relationship Between the Speed of Monetary Growth and the Speed of Economic Growth"]

[Text] Reading the "Review" section of the article "Ten Years of China's Reform, Review, Past, and Prospects" written by Comrade Hua Shing and two other comrades (See JINGJI YANJIU No 9, 1988, henceforth referred to as the "Review"), enables the reader to deepen his understanding of several important theories on the reform of China's economic structure and to be enlightened. But because the authors used the format of a dispute, certain of the arguments appear to be a little violent and too absolute. In this article we shall offer some views on one of today's relatively large problems.

I

In the last part of the "Review," the authors refuted the method of "using the specific value between monetary growth rate and national income growth rate as a yardstick to measure whether or not the gross demand has inflated" and cited as a basis to support this refutation the claim that during the years 1984 to 1986, under the conditions of the "sustained inflation" of gross demand, the specific value of ratio was "far lower" than during the years 1979 to 1983, when "economic development was relatively coordinated."¹ However, this conclusion seems inappropriate. We shall not question whether or not the money volume index employed by the authors was rational or whether or not the corresponding figures were reliable, but from the contents of the analysis, the following two factors seem to have been overlooked.

First, the effects of the stagnated presence of excess money: Each year the excess amount of money issued is not wholly absorbed by the rise of commodity prices during the current; rather, a portion of it is accumulated. Of the excess volume of money issued from 1979 to 1983, as a result of the scale of price, decontrol at that time was small and, on the average, the extent of the rise in commodity prices was also small, and a large portion of the excess banknotes stagnated and stayed in the circulation channels without being absorbed. From 1984 to 1986, the money supply continued to be excessive and the amount of stagnant money grew increasingly. The excess issuance of banknotes for successive years thus produced adverse accumulation effects. Therefore, even though, as the authors said, in the latter period (1984 to 1986) the volume of excess issuance of banknotes was not higher but lower than in the earlier period (1979 to 1983), inflation of gross demand naturally was obviously aggravated. For the same reason, if in 1987, 1988, and for several years to come, the issuance of money should continue to increase and be in excess, then despite the fact that the excess portion showed no increase over the preceding period but was relatively smaller, the extent of demand inflation would likewise increase. On the other hand, in comparing the growth rate, it is also necessary to consider the size of the gross volume involved; that is, the base figures must be compared, or a rather great discrepancy will occur. In reality, in comparison with the economic growth rate, the relative base figure of money volume is rather large, and therefore, even though the growth rate is relatively small, the corresponding volume may not be small. However, if the growth rate is relatively large, then the corresponding volume will be even larger. If under the condition that in the preceding year the money supply volume was larger than the gross commodity supply for society, and if the growth rate of money supply in the current year is again higher than the growth rate of social commodity supply, then the excess supply portion will become multiplied and the situation of inflation will be all the more prominent. In recent years, as a result of the comparison of the two base figures mentioned above being overlooked, the growth

rate of money has produced precisely this kind of successive multiplier effects. For example, in 1984, the growth rate of money in circulation was 49.7 percent and, compared with the growth rate of the national income (13.5 percent), was higher by 36.2 percent. In 1985, the issuance of money on this basis continued to increase by 24.7 percent and this was an increase of 11.4 percent over the growth rate of the national income (12.3 percent). The enormous multiplier role generated in this way really cannot be underestimated. This was one reason for the demand inflation in the latter period far exceeding that of the former period.

Second, whether or not the economic growth is coordinated: Generally speaking, only under the conditions of a coordinated structure can the scale of a stable economic growth rate be taken as the basis for determining the growth in money supply, because at such a time, the effective gross supply approaches the actual gross supply. But under the conditions of an imbalanced structure and a high-speed growth rate, there exists a large portion of ineffective supply and, at such a juncture, to employ the economic growth rate to determine the money growth rate is highly inappropriate. In our country, after the readjustment of the structure in the early 1980's and up to the several years before 1983, the structural relationship basically came to be coordinated, while the economic growth rate was also relatively appropriate. As a result, although in this period there was a larger issuance of money or banknotes, because of the supply structure being comparatively rational and the quality of the products having been somewhat improved, the manifestation of inflation in gross demand was not at all obvious. But conditions from 1984 to 1986 were greatly different. During this period the high-speed growth had the special features of blind development in the processing and manufacturing industries and constant increases in conflicts in the structure of the national economy. This led to an increasing portion of the production becoming ineffective supply because of unmarketable product varieties and the quality of products being below standard. Employment of such a high growth rate as the basis for increasing the volume of supply of money itself caused the over-issuance of a portion of the money volume (because effective gross supply was greatly lower than actual gross supply), and with the successive over-issuance of money, there was a sharp inflation of the gross demand.

It can be seen that because it overlooked the two factors mentioned above and examined only the relationship of the specific value or ratio between the monetary growth rate and the economic growth rate in these two periods with the inflation in gross demand, this method of comparison was not appropriate. (Obviously because of the influences of the volume of money in stagnant concealment in the latter period and economic growth not being coordinated, the latter period cannot be directly compared with the former period). Since such a comparison cannot produce a correct conclusion, naturally we cannot use it as a basis to refute the relationship between the two.

In the course of the transformation of structures and changes in composition in our country, although certain economic quantitative changes bear a certain sort of relatively definite relationship, they still suffer from the effects of other unstable factors; therefore, in concretely examining their quantitative relationship, it is necessary that certain supplements or revisions be made. When determining the monetary growth rate, we should take into consideration the effects of excess money volume in stagnant concealment and the relative base figures of the money volume (that is, relative to the base figure of the relevant changed volume) and, using the economic growth rate as the main basis, suitably delete the portion of ineffective supply. But if certain necessary revisions or supplements are made in respect of the relations between the volume changes, and if the definite innate relationship objectively existing between the two volumes of changes is refuted, then this would be meaningless. At present, if the economic growth rate, which is still a fairly reliable objective basis, is disregarded, then there will be no way to rationally fix the growth rate of money, and the result will be the issuance of money without any basis; correspondingly, it will not be possible to make a relatively adequate judgment on whether or not the gross demand is inflated and, if so, to what extent, thereby causing an unending dispute, with each side holding to its view.

II

In the foregoing we discussed in theory the two easily-overlooked problems in the relationship between monetary growth and economic growth. Below we shall, based on relevant data for these years, make an analysis on the relative weight of the excess volume of money supply and the stature and trend of demand inflation.

First, which monetary index is more appropriate to adopt? The indices of the policy on money in our country may be divided into the "small caliber" M_0 (cash) and the "large caliber" M_2 (cash plus the total amount of deposits). The "Review" adopted the money index as follows: M_1 equals (total amount of bank deposits plus cash) minus (finance-treasury plus urban and rural savings);² these generally include cash and other sections, such as deposits of enterprises, government organs, and organizations; capital construction deposits; and rural collective deposits. But in recent years, due to the effects of the saying "policy from above; counterpolicy from below," the conditions of these several sections have been relatively complex. Their changes and movements have been rather irregular and, therefore, as a tool in the analysis of money, it is more suitable to use M_0 . Besides, to measure the extent of demand inflation and inflation, directly using the index of the market circulation volume of money is even more concrete and correct.

Second, which economic growth index is more appropriate to adopt? According to experiences in other countries and from general observations made within this country, the monetary growth rate should be linked with the

growth rate of the GNP; but due to the limitations in statistical data, using the national income index as a replacement may, in the main, illustrate the problem. The 1986 national income index of our country increased by 96.1 percent over that in 1978, while during the same period, the GNP increased by 102.7 percent. Thus, the difference was only 7.6 percent for a period of 8 years; from 1979 to 1986, the average annual growth rate of national income was 8.7 percent, and that of the GNP was 9.2 percent, a difference of only 0.5 percent.³ Hence, we can add to the annual national income growth rate an average differential of 0.5 percent as a measure to revise the index. By so doing, the result will naturally show a slight difference from the GNP growth rate of the various years and will not be unanimous with the growth rate of the gross GNP. But the growth index after revision will definitely be more correct than the use of the index of the growth of the national income. Moreover, since the role of money supply versus demand and commodity prices is usually behind or deferred (whether money issuance is in excess or insufficient), the effects produced by this method on a comparative analysis of the current year's figures will not be large but will have obvious advantages on the comparative analysis of a sequence of years in the period as a whole.

Third, how shall we treat the money volume required for increase in the process of economic monetization? Some comrades in our country believe that in general among the developing countries in the course of monetization of the economy, due to the causes of the rise in the commodity rate of products and the slowing down of the circulation speed of money, the average annual rate of increased issuance of money needed generally does not exceed 2 to 3 percent.⁴ Certain other comrades are of the opinion that the general experiences offered by the developing countries show that a yearly increase of 6 to 8 percent in the issuance of money is needed in the monetization and that what China needs should not be lower than this figure.⁵ In our opinion, and we shall not mention that in the other developing countries the process of economic monetization is more or less affected by external causes and interrelated factors (for example: this process in the majority of countries is frequently interwoven with a rise in prices and excess issuance of banknotes and cannot be easily segregated), seen from the national conditions in our country, the progress of monetization in our country is not at all fast because of the existence of the dual structure; shortage of commodities in the market; the effects of the various kinds of price control; the role and use of various kinds of debentures and scripts and the phenomenon of barter trade between the urban and rural areas, units, and individuals still existing on a large scale and being developed and extended at times. And as we consider that such factors as concealed inflation in the past and a portion of the gross social supply in recent years being actually ineffective can partially offset the required increase in the volume of money necessary to raise the level of monetization of the economy, we believe that it will be sufficient to use an average increase of 3 percent

of the monetary growth rate as a supplement to satisfy the requirement of the period.

Fourth, does the rise of a regulatory nature in the general price level need a corresponding increase in money supply? The rise of a regulatory nature in the price level is principally caused by such factors as readjustment of the price structure, effects of international market prices, rise in the cost of production in the basic industrial departments, and so forth. Of them, a portion has liaison with the monetization of the economy in our country, because after all, the basic meaning of monetization of the economy comprises two points: One is the rise in the commodity rate of the products and the other is manifestation of the value of commodity fully by means of money. In the above we have already dealt with the increase in money required for one of these portions. As for the price rise caused by the rise in value of the basic products and the external economic relations, originally a suitable increase in the volume of supply of money is needed for their realization; but because through the years the base figure of the monetary growth has always been larger than the base figure of economic growth—that is, our comparison of the growth rates of the two was made on the basis of the supply volume of money being larger than the social gross supply of commodities, and

in this the factor of increase in the volume of money was already concealed—it is no longer necessary to consider the problem of the rise in regulatory nature in the price level. Nevertheless, when studying the effects of money supply on the following year, the volume of money absorbed in the rise of the general price level in the current year should be deducted.

Based on the several points mentioned above, we can use the statistical materials of these several years to examine the relationship between monetary growth and economic growth and the effects on demand inflation. Please see Table 1 below.

It can be seen from the following table, regardless of from what angle, (using either comparison of differences or comparison of specific value), the amount of the excess issuance of money during the years 1984 to 1986 was obviously larger than that during the year 1979 to 1983 (and not "far smaller" as the "Review" mentioned). Furthermore, with the cumulative or accumulative role played by the excess volume of money, the phenomenon of the excessive volume of money in this period was far more serious than in the former period. This is the basic cause of demand inflation and currency inflation being greatly aggravated.

Table 1. Comparison Between Monetary Growth Rate and Economic Growth Rate

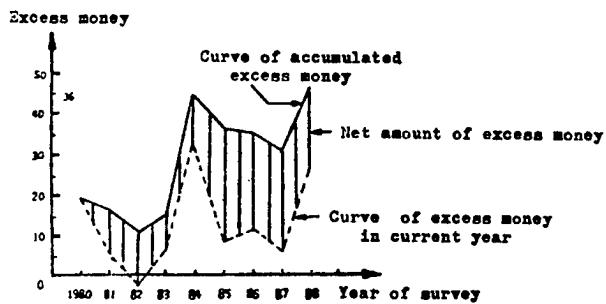
Monetary Growth Rate	Economic Growth Rate (Revised Index of National Income)	Difference Between Growth Rates	Minus Money (percent) Absorbed by Economic Monetization (R) & Price Rise (P)	Excess Amount of Money				
				M° (percent)	N* (percent)	M° - N* (percent)	Current Year (hundred million yuan)	Accumulation (hundred million yuan)
		(y)	y-R	Y-R-P				
1980	29.3	6.4+0.5	22.4	19.4	13.4	51.94	34.87	51.94
1981	14.5	4.9+0.5	9.1	6.1	3.7	21.12	47.68	55.99
1982	10.8	8.3+0.5	2.0	-1.0	-2.9	-3.96	36.19	43.72
1983	20.8	9.8+0.5	10.5	7.5	6	32.93	62.54	69.12
1984	49.7	13.5+0.5	35.7	32.7	29.9	173.24	220.94	235.78
1985	24.7	12.3+0.5	11.9	8.9	0.1	70.50	228.86	291.44
1986	23.3	7.4+0.5	15.4	12.4	6.4	122.49	292.08	351.35
1987	19.5	9.5+0.5	9.7	6.7	-0.6	81.63	284.77	373.71
1988	41.3*	11*+0.5	29.8	26.8	9.8*	390.29	427.49	675.06

Notes: In the above table, M_0 —increase-speed of money in circulation (yearend balance); N^* —increase-speed in national income (in the above the revised index was fixed at the annual average plus 0.5 percent); Y equals $(M_0 - N^*)$, denoting the difference between the increase-speed of money and the growth speed of the economy.

R —the annual average increase rate of money needed in monetization of the economy (already fixed in the above as 3 percent); $(Y - R)$ equals $(M_0 - N^*) - R$ (that is difference between money growth rate and economic growth rate) denotes excess money growth rate of the current year. P —rate of rise in retail sales prices of the current year; $(Y - R - P)$ equals $(M_0 - N^* - R) - P$ (that is increase rate of excess money of the current year minus rate of rise in retail sales prices of the current year) denotes the increase rate of excess money in a stagnant but cumulative state. The current year's volume of excess money equals base figure of money volume (that is, volume of money in the preceding year) \times the increase rate of excess money of the current year ($Y - R$); volume of money in stagnation equals base figure of money volume \times the increase rate of excess money in a stagnant state ($Y - R - P$) plus preceding year's stagnant volume of excess money; accumulation of excess money equals excess money of the current year plus preceding year's stagnant volume of excess money.

Source of materials: data from the "Statistical Yearbook of China," the "China Economic Yearbook" and other relevant sources which have been duly computed and/or revised. Of them, those marked with the asterisk (*) are estimates.

Let us look at the two curves in the following graph:



The two curve lines in the table, one in solid line and the other in dotted line, both denote the volume of excess money and also show the inflation; the space between the two lines denotes the stagnant volume of excess money (portion after deduction of volume absorbed by the rise in commodity prices). They denote the disparity between the current year's amount of excess money (dotted line) and the accumulated amount of excess money (solid line).

A comparison of these two curves shows the following features: (1) The direction of their changes is generally the same. With the exception that the large-scale rise in commodity prices absorbed a relatively large amount of money in 1985 and caused the dotted line to slightly rise in 1986 and the solid line to drop somewhat, in all the other years the two curves rose and fell concurrently. This reflected the innate relationship between the current year's volume of excess money and the accumulated volume of excess money, that is, the former's direct effects on the latter; if the stagnated volume of money suffered from no outstanding changes, the direction of the two was the same. (2) The scale of fluctuations of the dotted line was comparatively larger and manifested the periods of sharp rise and sharp fall (for example: the years 1980-1982-1984 constituted a rise and fall period, while 1984-1987-1988 constituted another such a period; on the other hand, the solid line was relatively more stable (outside of a sharp rise in the 1983 to 1984

period), and the cyclic feature was not at all apparent (frequently a rise was not followed by a fall). In particular, the scale of the portion of the fall was relatively rather small, obviously due to the rather large buffer role played by the stagnant portion of money. Hence, as a whole, the rising rate of the solid line was far higher than that of the dotted line and the extent of inflation manifested by the former was much larger than that of the latter. (3) Their disparity becomes increasingly smaller. Take for example the 1984 period: the disparity in the subsequent stage was several times larger than that in the earlier stage, and this illustrates that the stagnant portion of the excess money was increasingly larger and that the accumulated amount of excess money far exceeded the amount of excess money in the current year (therefore we cannot simply use the current year's monetary growth speed to compare with the economic growth speed and should use the increased scale of the stagnant money volume in comparison; only by so doing can the problem be explicitly explained). And if we further take into consideration the fact that in the subsequent stage the large-scale rise in commodity prices has already absorbed a substantial portion of the money, then the large size of excess money is really astonishing. (4) The solid line produces larger effects than the dotted line. In economic life, not only do the fluctuations in the dotted line play a role and produce effects; the fluctuations of the solid line, also, play an even more important role. The latter is truly a curve of inflation. The years 1984 and 1988 are the years showing the peak in money supply. Seen from the dotted line, 1984 reached the highest point but seen from the solid line, 1988 was the peak year. Demand inflation and rise in commodity prices in 1988 were obviously much more serious than in 1984, which shows that the cumulated volume of excess money principally plays the actual influential role and not the current year's volume of excess money.

Based on the foregoing analysis, it is necessary to express several viewpoints:

First, in understanding we must pay high regard to the influences of stagnation of excess money and cumulation's effects. The amount of money in circulation in

1988 (yearend balance) is estimated at 205 billion yuan. The amount of excess money accumulated was 67.506 billion yuan, making up 32.9 percent and surpassing the amount actually needed by 49.2 percent; the large-scale rise in commodity prices in 1988 was directly caused by this. At the same time, 1988 left over to 1989 42.749 billion yuan of stagnant and accumulated excess money, which asserted an enormous monetary pressure on demand inflation and rise in commodity prices. Regarding this, we must never let down our guard.

Second, in the matter of policy, it is necessary to firmly insist on suitably tightening money supply and gradually decrease the accumulated amount of excess money. This is an exceedingly important and stupendous task. We should do the utmost to avoid repetition of over-heating in economic growth and loss of control in money supply. In the coming few years, we should maintain consistency between the monetary growth rate and the economic growth rate and meet the requirements for monetization of the economy and the rise in the general level of commodity prices by drawing on the stagnant portion of the amount of excess money.

Third, in theory it is necessary to put in the right and unify the views on currency. We should eliminate the theory that excess money is harmless, that inflation is beneficial, and that we can disregard the seriousness of demand inflation. At the same time, we should refute the understanding that it is difficult to determine the volume of money and the size of gross demand since this may lead to the tendency of loosening strict control over the volume of money supply.

Footnotes

1. See JINGJI YANJIU No 9, 1988, p 36.
2. Loc. cit.
3. See "New Milestone; New Accomplishment," Red Flag Publishing House, 1987 edition, p 93.
4. Zhang Chuoyuan: "Comments on Discussion in Recent Years on Theory and Practice of Price Reform," JINGJI XUE WEN ZHAI No 4, 1988.
5. Huang Xiaoxiang, "Inflation and Economic Growth," GUANLI SHIJIE No 3, 1988; No 4, 1988.

PROVINCIAL

1988 Hunan Statistics

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[Hunan Provincial Statistical Bureau: "Statistical Report on the 1988 National Economy and Social Development Compiled by the Hunan Provincial Statistical Bureau (28 March 1989)"]

[Text] During 1988, Hunan firmly adhered to the general principles and general policy of reform and opening up, and earnestly implemented the policy of improving the

economic environment, rectifying the economic order, and deepening the reform. While we have stood the test of various difficulties and experienced a year of great calamities, new developments in reform and construction have been achieved. The gross national product of Hunan was 58.466 billion yuan, 8.2 percent more than the year before. Income was 49.391 billion yuan, an increase of 7.8 percent. New achievements have been accomplished in the social affairs of science and technology, in cultural affairs, education, general health, and sports. The main problems in the development of the economy are too brisk social demand, a sharpening contradiction of effective supply being unable to satisfy social demand, and too steep a rise in commodity prices, which obviously entails currency inflation. Since the start of the fourth quarter, initial successes were achieved in the implementation of the policy of regulating the economic environment and rectifying the economic order.

I. Agriculture

During 1988, Hunan's agriculture fought natural calamities of a seriousness seldom experienced throughout history, a continuous drought during spring and summer and extremely serious flooding in autumn, but the harvest was better than could be anticipated. Gross output value throughout the year (not including industries run by villages or entities below the rank of villages) was 30.301 billion yuan, still showing an increase of 0.5 percent over the preceding year. While the gross output value of farming and forestry declined 5 percent and 2.3 percent respectively, that of animal husbandry, sideline production, and fishery increased 8.8, 21.3, and 5 percent respectively.

Output of the principal agricultural products: Total grain production was 25,361,800 tons, a decline of 2.2 percent compared with the preceding year, mainly due to the drop in late rice production which was most affected by the natural calamities. Among commercial crops, rapeseed production set another record, cured tobacco leaf production increased 30.5 percent, and tea production increased 2.3 percent. Cotton, sugar cane, and fruit production suffered fairly large production declines due to natural calamities. Agriculture did not keep abreast with the general development of the national economy.

Output of Principal Agricultural Products:

	1988 (in tons)	Increase Over Preceding Year (in percent)
Grain	25,361,800	-2.2
Cotton	43,900	-20.9
Oil Crops	542,400	2.2
Of these: Rapeseed	448,100	4.3
Ramie	114,500	-54.7
Yellow and Red Hemp	11,100	-6.6

Output of Principal Agricultural Products:

	1988 (in tons)	Increase Over Preceding Year (in percent)
Sugar Cane	1,095,000	-11.0
Cured Tobacco Leaf	126,400	30.5
Egg Yolk	2,100	-11.1
Tea	81,000	2.3
Fruit	339,700	-37.2
Of these: oranges and tangerines	256,300	-41.1

In forestry, there was a decline in afforestation and a considerable decline in forestry products. The total afforested area during the year was 4,826,100 mu, a decline of 2.2 percent compared with the preceding year. Production of tung oil seed was 44,700 tons, a decline of 20.3 percent, tea-oil seed 183,600 tons, a decline of 8.2 percent, and production of raw lacquer and Chinese chestnuts declined over 20 percent. However, the survival rate in afforestation increased, and the kinds of trees planted were sensibly selected. Especially fast growing forests and commercial forests were largely increased.

Products of the animal husbandry industry continued to increase. Live pig production has had increases over the last 5 years and increased again in 1988. Production of pork, beef, and mutton increased, as also the number of large livestock.

Production of Animal Husbandry Products and Heads of Livestock

	1988	Increase Over Preceding Year (in percent)
Pork, beef, mutton	1,786,700 tons	9.0
Meat hog for slaughter	28,137,000 head	5.9
No of pigs at end of year	26,943,600 head	1.8
Large livestock at end of year	3,853,700 head	1.4
of these: farm cattle	3,829,900 head	1.4
Sheep at the end of year	638,000 head	0.6

In fishery, despite large losses due to natural calamities, the favorable situation of increases could still be maintained. During 1988, total production of aquatic products was 462,300 tons, 4.2 percent more than in the year before. Of this quantity, the production of fresh fish was 453,000 tons, an increase of 4.4 percent.

Achievements in agricultural science and technology were increasingly disseminated. Throughout the year, the area planted to hybrid rice was 34,596,300 mu, 17.1

percent more than the year before. The ratio of hybrid rice in the total area planted to paddy rice rose from 46.3 to 53.7 percent. The average yield per mu of hybrid rice was 50 to 70 jin higher than from ordinary rice. The spread of hybrid rice planting is the major reason for grain production still having exceeded 25 million tons in a year of serious natural calamities. The ton grain fields throughout the province measure 4.1 million mu, an increase of 28.2 percent. Soil improvement of medium- and low-yield fields was carried out over an area of 3,166,900 mu, which is 17 percent of all medium- and low-yield land.

Conditions for agricultural production were improved. At the end of the year, the total motive power in the province available for agricultural machinery reached 11,144 billion watts, 5.6 percent more than the year before. There were 46,000 trucks for agricultural use, an increase of 5.6 percent. Small tractors and walking tractors number 172,300, an increase of 8.9 percent. Generators to drive irrigation machinery provided 3,144 billion watts, an increase of 1.3 percent. Mechanical ploughing was done that year over an area of over 9 million mu, an increase of 24.6 percent. The amount of chemical fertilizer used (active ingredients) was 1,225,700 tons, an increase of 15 percent. Work on the water conservancy infrastructure for the fields under cultivation overcame the state of stagnation and reached a new climax. In 1988, water conservancy engineering projects were started at 356,400 places, with a working force of 5,950,000 persons. They completed 260 million work days, moved 237 million cubic meters of earth and stone, and completed the most successful year in recent years. However, the area of arable land is continuously declining, soil fertility is deteriorating, and there is the very conspicuous contradiction of having an infrastructure for water supply to the fields which is still inadequate for the further development of agriculture.

At the end of 1988, township enterprises numbered 1,038,000, an increase of 9.4 percent over the preceding year. These enterprises employed 4,273,700 people, an increase of 6.5 percent, and provided a total income of 24,471 billion yuan, an increase of 31.7 percent.

The entire rural economy shows continued development. Total output value of the rural society throughout the year was 50,005 billion yuan, 9.4 percent more than the year before. In this sum, the output value of nonagricultural production amounted to 1,970,400 yuan, an increase of 21.2 percent. Apart from a drop in the construction industry, fairly large increases were attained in the output value of nonagricultural production, village industries, communications and transportation, and in commerce. The share of nonagricultural output value in the total output value of the rural society has grown to 39.4 percent from the 37.9 percent of the preceding year.

II. Industry

In 1988, the gross output value of industry of the province was 58,185 billion yuan (including industries run by villages and units below the rank of villages), 15.3 percent more than the year before. Without the output

value of industries run by villages or units below village rank, the figure would be 50.945 billion yuan, an increase of 13.3 percent. In the gross output value of industry, the output value of the light industry was 26.339 billion yuan, an increase of 15.5 percent; heavy industry output value was 31.846 billion yuan, an increase of 15.1 percent; output value of industry owned by the whole people was 37.629 billion yuan, an increase of 11.5 percent, of industry owned by collectives 17.2 billion yuan, an increase of 17.9 percent, of individually owned urban and rural enterprises 3.155 billion yuan, an increase of 42.4 percent. The output value of other commercial-type industries was 200 million yuan, an increase of 158 percent.

Output of most of the main industrial products increased in volume. Production increases in the light industry were comparatively large, especially in high quality durable consumer goods, which had a ready market. Output of main sources of energy, raw and semifinished materials, and some industrial products for agricultural use also increased to a certain extent, but could still not fully keep abreast with the demand of industrial development. Further adjustments are needed in the composition of industrial production.

Output of Major Industrial Products:

	1988	Increases Over Preceding Year (in percent)
Cotton yarn	135,100 tons	6.5
Cotton cloth	511 million m	6.2
Leather	3,448,900 hides	-5.0
Machine-made paper and cardboard	587,400 tons	9.2
Sugar	56,100 tons	-10.8
Raw salt	406,900 tons	9.8
Cigarettes	2,488,200 cases	4.3
Pottery and porcelain for daily use	722 million pcs	3.7
Bicycles	1,277,600 pcs	-22.5
Sewing machines	234,800 pcs	49.2
Television sets	458,200 sets	15.2
Of these: Color TV sets	66,800 sets	66.2
Tape recorders	515,400 sets	68.4
Household washing machines	36,800 pcs	41.3
Household refrigerators	392,100 pcs	43.5
Raw coal	35,616,400 tons	6.9
Refined crude oil	3,169,300 tons	2.9
Electric power generated	17.313 billion kwh	7.3
Of this: hydropower	9.036 billion kwh	9.7
Pig iron	1,391,400 tons	3.1
Steel	1,230,200 tons	9.1
Manufactured steel materials	1,104,900 tons	5.7
Sulfuric acid	713,800 tons	7.2
Soda ash	44,500 tons	5.5

Chemical pesticides	19,000 tons	16.6
Chemical fertilizer (effective ingredients)	1,141,200 tons	-2.2
Timber	2,914,400 cubic meters	-3.0
Cement	10,661,000 tons	10.2
Sheet glass	3,465,900 cases	-0.7
Motorcars	6,176 cars	131.0
Small tractors	29,607 pcs	15.8
Lathes	3,401 pcs	11.5

In 1988, consumption of industrial sources of power continued to drop. Enterprises of county and higher level throughout the province saved 271,000 tons of standard coal. The "10,000 yuan" industries consumed for their production 5.21 [as published] tons of standard coal, a reduction of 1.5 percent. Quality of most products was steadily improved, and could meet the 126 evaluation norms of assessment, quality stability rate was raised to 94.4 percent, and 22.1 percent of all industrial products were found of excellent quality, all better than in the preceding year. Eight items received the state's gold and silver medals for quality. Another 912 items were provincially assessed as excellent. In the local budgets throughout the province, industrial enterprises increased their sales receipts of the year by 25 percent, which caused profits and tax revenue to go up 25.2 and 19.8 percent respectively. For every 100 yuan capital, profits and tax revenue went up 3 yuan. For every 100 yuan sales income, profits and taxes realized were essentially the same as in the preceding year, but deducting the price factor, real economic returns are not at all ideal.

New successes were achieved in the reform of industrial enterprises. Throughout the province, 94.8 percent of industrial enterprises within the state budget and 93.9 percent of large and medium-sized industrial enterprises carried out business operations under the contract responsibility system. In general competition, mergers of enterprises have already started. Lateral economic linkages continue to be developed. Industrial enterprises of county or higher level throughout the province set up 185 close or semi-close economic joint organizations, in which they invested 359 million yuan. Their output value and profits increased 30.5 and 69.2 percent respectively.

III. Communications, Transportation, Post and Telecommunications

All potential was fully exploited in the communications and transportation industries, and passenger and freight transportation increased. Following the structural reforms in the communications and transportation industries, transportation enterprises by collectives, by joint operations, and those operated privately developed very rapidly. The economic efficiency of the state-run communications and transportation sector was enhanced. Conspicuous contradictions are shortages in railway transportation, insufficient highway transportation, and slow development of transportation by water.

Turnover of Passenger and Freight Transportation by Various Means of Transportation of the Communications Departments

	1988	Increases Over Preceding Year (in percent)
Freight turnover	55.866 billion ton/km	4.4
Subdivided: by rail	50.458 billion ton/km	4.7
by highway	0.995 billion ton/km	-0.4
by water	4.403 billion ton/km	1.7
Passenger turnover	32.736 billion person/km	10.3
Subdivided: by rail	19.121 billion person/km	18.1
by highway	13.1 billion person/km	1.0
by water	0.481 billion person/km	-1.4

Performance of the postal and telecommunications departments during the year amounted to 163 million yuan, 27.9 percent more than the year before. This amount includes increases in letter transmission of 10.3 percent, of long distance telephone service of 26.4 percent, of telegram service of 24.7 percent. At the end of the year, there were 96,200 telephone subscribers in the cities of the province, an increase of 19.8 percent, and 32,600 telephone subscribers in the rural areas, an increase of 6.9 percent. However, postal and telecommunication services are still insufficient to meet the demands of economic development and the needs of the people.

IV. Investments in Fixed Assets and the Building Trade

In 1988, Hunan's capital construction front conscientiously implemented the "three guarantees and three reductions" policy, and especially in the fourth quarter, subjected all fixed asset investment projects to a reevaluation, according to State Council directive. By year's end, 1,012 construction projects throughout the province were stopped or delayed, reducing investments by 721 million yuan. Among these, 26 constructions of highrises, auditoriums, guest houses, and hostels have been stopped or delayed, curtailing investments by 166 million yuan. In 1988, all of Hunan completed fixed asset construction amounting to an investment of 14.004 billion yuan, an increase of 20.3 percent over the preceding year. After making a deduction to account for commodity price increases, the actual volume of construction has essentially not increased. Among the said projects, those completed by units owned by the whole people involved the investment of 7.297 billion yuan, an increase of 19.7 percent. Units of urban and rural collectives completed projects involving an investment of 1.885 billion yuan, an increase of 7.2 percent, and projects completed by individuals in the urban and rural areas involved investment of 4.822 billion yuan, an increase of 27.5 percent. However, capital outside the

official budgets is not controlled, and there still remains the problem of inordinately large overall investments and a not very rational effectiveness of the investments.

Among the investments by units owned by the whole people, capital construction investments amounted to 3.803 billion yuan, an increase of 17.1 percent, and investments for renovations and transformations amounted to 3.142 billion yuan, an increase of 23.5 percent. There has been a change in the objectives of investments. Investments in agriculture, forestry, animal husbandry, and fishery was 228 million yuan, and this sector showed a proportionate increase from the 2.7 percent of the preceding year to this year's figure of 3.1 percent. Investments in communications, transportation, postal and telecommunication services was 660 million yuan, raised from the 8.6 percent of the preceding year's proportion to this year's 9 percent. Investment in industrial constructions was 4.693 billion yuan, the proportion having been raised from 63.6 to 64.3 percent. Among the renovation and transformation investments of units owned by the whole people, a comparatively larger portion was invested in (a) raising productivity and increasing production volume, and (b) economizing in energy consumption, namely 1.3 billion and 156 million yuan respectively, increases of 46.5 and 38.8 percent.

Key construction projects were completed in good order. Throughout the province, 17 key construction projects in progress were completed to the extent of an investment of 976 million yuan. The rate of progress in plan fulfillment this year was 1.6 percentage points better than in the preceding year, making this a record year for Hunan as to completion of investments in key projects. Four projects have been completed: the Hunan section of the multiple track electrification of the Hengyang-Guangzhou line, the Ge-Chang-Zhu 500,000 volt power transmission and transforming line, the chemical fiber plant at Xiangtan, and the large bridge on the Hengyang-Xiangjiang highway. The No 2 and 3 power generating set of the Dadong River hydroelectric station, the No 1 power generating set at the Leiyang thermoelectric power plant, the southern section in Hunan of state highway 107 are individual engineering projects, which have all been completed according to plan and taken into operation. The principal operational structures and auxiliary installations have to the larger part been completed at the Huanghua airport and at the No 1 Hospital attached to the Provincial College of Chinese Medicine. At the Wuqiangxi hydroelectric station and the Yueyang large power plant (national power expansion projects), two key projects in progress, work has been completed to 95.2 and 86.5 percent of the annual plan of investment.

During 1988, all of Hunan created 12.13 billion yuan of fixed assets, 19 percent more than the year before. Among these, new fixed assets belonging to units owned by the whole people were 5.672 billion yuan, an increase of 17 percent. Through capital constructions, renovations, and transformations, units owned by the whole people have newly increased the following major productive capacity and efficiency: 587,300 kwt of electric power generating equipment; 983.7 km of high tension lines for over 110,000 volt electricity, extraction of

205,000 tons of raw coal, 2,144 tons of chemical fiber, 36,800 tons of machine-made paper and cardboard, 902,400 tons of cement, 200,000 refrigerators, 50,000 television sets, 81.3 km of new railway lines opened for traffic, effective irrigation of 253,000 mu of land, and capacity for the storage of 52.03 million kilos of grain.

Reform of the building industry was continuing in greater depth. In 1988, construction enterprises owned by the whole people in various localities of the province were carrying out 2,308 engineering projects under various forms of the economic contract responsibility system, which accounted for 89.7 percent of the total engineering projects in progress. The total production of construction enterprises owned by the whole people in various places throughout the province had a value of 960 million yuan, an increase of 19.4 percent over the preceding year; productivity of all personnel amounted to 10,949 yuan, an increase of 16.6 percent.

This year, the geology departments have discovered 23 mineral sites, and good progress has been made at 13 locations of mineral resources. They submitted reports of new and larger reserves of 14 kinds of minerals, completing 12 more than provided for in the state plan. They presented 47 evaluations of various kinds of geological reports within the plan, and completed 45 more than provided in the state plan. They conducted land surveys to the total value of 88,271,400 yuan, an increase of 5.7 percent. All in all they completely fulfilled the plan, and a geological market and diversified operations are being rapidly developed.

The survey and mapping departments have completed 1,392 topographic scale maps, surveying and mapping out economic construction, city planning, and investigations of natural resources. They published 1,081 specialized maps of various kinds and printed public editions of maps. Their total survey and mapping work amounted to 159,800 work days, with a product value of 10.27 million yuan.

V. Domestic Commerce and Commodity Supply and Marketing

Commercial sales greatly increased during 1988. The total amount of retail sales of social commodities throughout the province was 31.624 billion yuan, 30.2 percent more than the year before. After deductions to account for commodity price increases, the actual increase was 3.4 percent. In the total amount of retail sales of social commodities, retail sales of consumer goods accounted for 27.216 billion yuan, an increase of 29.9 percent. Retail sales of agricultural means of production accounted for 4.408 billion yuan, an increase of 32.1 percent. Various kinds of business-type commerce developed in mutual competition. Retail business in commodities greatly increased. As part of this trade, retail sales under the system of ownership by the whole people increased 35 percent, retail sales of collectively-owned enterprises increased 23.6 percent, retail sales of

individually owned businesses increased 29.7 percent, and retail sales by peasants to the nonagricultural population increased 39.9 percent. Retail sales of various types of consumer goods generally increased. Foodstuffs increased 30.4 percent, clothes increased 22.9 percent, and commodities for practical everyday use increased 34.2 percent. After deductions to account for commodity price increases, sales of the said commodities increased only 1.1, 8.8, and 7.6 percent respectively. Under the impact of currency inflation and panic buying, the sales volume of some consumer goods increased abnormally. Among these commodities, grain sales rose 9.9 percent, edible vegetable oils 29.2 percent, table salt 21.9 percent, soap and laundry detergent sales rose 28.4 and 22 percent respectively; sales of TV sets, tape recorders, electric fans, washing machines, and electric refrigerators had increases from 40 percent to 2.1 times.

New progress was made in the reform of the commercial structure by effecting "transformations, transfers, leasing, and selling," also in adopting the contract responsibility system, and in trying out shareholding systems. At the end of the year, 99.9 percent of the large and medium-sized commercial enterprises throughout the province had adopted the contract responsibility system for business operations, and 96 percent of the small-sized commercial enterprises had effected "transformations, transfers, leasing, contracting, and selling." Among the 9,821 commercial enterprises owned by the whole people, 42.7 percent have adopted the contract responsibility system for business operations, and 22.4 percent have effected "transformations, transfers, leasing, and selling."

Border trade, which was started up in recent years, has been increasingly active. This year, border trade fairs were held at Huaihua, Yueyang, and Xiangnan, and transactions amounted to over 1 billion yuan.

Further developments have taken place and improvements have been made in the operation of markets for means of production. The proportion under market regulation has been expanded, and the portion of materials centrally allocated by the state has been continuously reduced. In 1988, the materials departments bought materials to the amount of 6.029 billion yuan, an increase of 43.6 percent. Their sales amounted to 6.454 billion yuan, an increase of 44.6 percent. Among the main items sold by the materials departments were plan-allocated supplies of steel materials, down 6.6 percent; cement, down 26.5 percent; coal, down 45.2 percent; caustic soda, down 24.5 percent; and soda ash, down 35.6 percent.

Transactions at urban and rural fairs have greatly increased. At the end of the year, there were 3,798 market locations for urban and rural fairs throughout the province, a decline of 1.5 percent compared with the preceding year. Transactions amounted to 8.125 billion yuan, an increase of 40.8 percent.

Commodity price increases have been excessive under the impact of a variety of factors, such as excessively strong demand, price adjustments according to state policy, increased transport costs, disguised price increases, and driving up of prices. In 1988, the index of retail commodity sales prices for the province rose 25.9 percent, in urban areas it rose 26 percent, and in the rural areas 25.8 percent. By types of commodities, food-stuffs rose 29 percent, among these, prices for meat and poultry rose 40.5 percent, vegetables 41 percent, aquatic products 33.4 percent, clothes 13 percent, daily necessities 17.7 percent, medicines and medical supplies 50.3 percent, fuel 24.8 percent, building material 37.5 percent, and agricultural means of production 36.9 percent.

The cost of living index for staff and workers went up this year 25.7 percent, the cost of living index for peasants went up 25.4 percent, and the index for services went up 25.6 percent.

The general index for purchases of agricultural and sideline products went up 23.1 percent over the preceding year.

The index for trade prices on urban markets went up 36.7 percent over the preceding year. It went up 36.9 percent in county seats and 36 percent in other cities.

VI. Foreign Economic Relations and Trade and the Tourist Industry

In 1988, the imports and exports of the province amounted to \$834 million, an increase of 11.8 percent over the preceding year; exports accounted for \$639 million, an increase of 3.1 percent, and imports for \$195 million, an increase of 53.5 percent.

New progress was made in the utilization of foreign capital. The methods of joint ventures, cooperative management, and compensation trade were in use throughout the province. Actual use of foreign capital amounted to \$12.49 million, which included \$7.71 million foreign business investments, a 3.3-times increase over the preceding year, and compensation trade of \$4.48 million, an 8.8-times increase. Foreign investments was conducted on more rational lines and achieved faster results. Some projects are already operative this same year that they have been approved. Of the total of 121 enterprises with the three types of foreign financial participation, 57 have started operations, and 15 of these, which produce export goods, have earned 50.1 percent more foreign exchange than in the preceding year.

Importation and exportation of technologies experienced new developments. During the said year, 49 transactions for the importation of technologies were

concluded for a total of \$28.5 million. Exports of technologies amounted to \$8.633 million. During the same year, 69 contracts were signed for engineering projects and the supply of labor, involving a total of \$6.018 million.

Tourist trade continued to develop. In 1988, a total of 67,600 person/times visitors—foreigners, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan—were received in Hunan. They had come as tourists and for sightseeing, to visit relatives or friends, and for other personal interchanges. This was an increase of 18.2 percent over the preceding year. Foreigners numbered 23,900 person/times, and overseas Chinese, compatriots from Hong Kong, Macao, and Taiwan numbered 43,700 person/times. Income from tourism during the year amounted to \$7.018 million, an increase of 86.6 percent.

VII. Science, Education, and Cultural Undertakings

During 1988, Hunan's science and technology departments accomplished 1,618 research achievements in the natural sciences, of which nine were awarded the state prize for scientific and technological advancement and the prize for inventions, while 278 were awarded the provincial prize for scientific and technological advancement. During the year, 120 "spark plan" projects were completed and have effectively promoted the development of scientific and technological undertakings in the countryside. The scientific and technological market was further expanded. At the end of the year, there were 2,292 technology business and service organs of various kinds, a total of 3,858 contracts were signed, and a total value of over 200 million yuan was involved, increases were 56.3 percent, 38.3 percent, and 2.2-times respectively.

The scientific and technological contingent has been replenished in the course of the reform. In 1988, units owned by the whole people all over the province employed 778,200 technical specialists, 16.9 percent more than the year before. Of these, 307,900 were natural science specialists, an increase of 7.3 percent, and 470,300 were social science specialists, an increase of 24.1 percent. By the end of the year, the province had 18,600 persons performing high-tech work and 154,600 persons performing medium level technological work.

With the deepening of the structural reform of the scientific and technological system of organization, non-government research organizations are entering the field just at the right time. At the end of the year, there were 395 nongovernment scientific research organizations with a complement of almost 10,000 scientific research personnel. They have played a positive role in promoting scientific and technological progress and in raising productivity.

New achievements have been attained in patent work. This year 1,909 patent applications have been handled, and 700 patents have been awarded, constituting increases of 34.8 and 30.8 percent respectively.

The meteorological departments improved the quality of their personnel and their technical equipment. The quality of meteorological research, of weather forecasting, and of basic meteorological work was improved and proved of excellent social effectiveness.

Educational reform was continuously pursued in greater depth with the training of numerous talents for society. In 1988, 769 students were enrolled in postgraduate studies, 1,067 graduated, and 2,538 were attending school. The province has 51 ordinary institutions of higher learning, with an enrollment of 28,700 students, an increase of 5.9 percent over the preceding year, and 24,700 graduate students, an increase of 8.8 percent. Schools had an attendance of 87,300 students, an increase of 4.7 percent. Adjustments were made in the structure of intermediary education. There were 92,900 students attending the secondary vocational schools of the province, 108,000 students attending the agricultural vocational schools, and 45,300 students attending technical schools, increases of 20.5, 16.6, and 8.4 percent respectively. There were 2,518,800 students attending ordinary middle schools, an increase of 5.7 over the preceding year, and 7,216,500 pupils attending primary schools, a decline of 2.3 percent compared with the preceding year. The rate of enrollment of children of school age was 97.9 percent. The number of preschool children at nurseries was 847,400, an increase of 1.5 percent over the preceding year.

There were 91,300 persons enrolled in the adult classes of institutions of higher learning, an increase of 12.4 percent over the preceding year, and 98,200 enrolled in the adult classes of secondary professional training schools, a decline of 43.7 percent. There were 58,500 students attending middle school adult classes, an increase of 10 percent, and 351,400 students attending technical vocational schools for adults, an increase of 8.7 percent. A total of 7,643 passed the examination of adult higher education self-study courses and received diplomas of graduation from universities and colleges, and 107,400 person/times received certificates of graduation from special courses.

New developments have been achieved in cultural affairs, movies, and television. During 1988, six feature films were completed and 196 feature films were distributed in Hunan. Forty television shows were shot with a total of 104 scenes. At the end of the year, there were 13,219 movie-showing units, 96 art troupes, 114 public libraries, and 42 museums and memorial halls. In 1988, the Hunan opera "Ocean of Desire in the Depths of the Palace" and the traditional opera "Cao Cao and Yang Xiu" took fourth place in the national awards for excellence. The Hunan opera "Mountain Spirit" and the musical play "Apartment No 13" were played at the first

Chinese theatrical festival. In the acrobatic "Xin Miao [New Sprout] Cup" competition, Hunan won two gold and two silver prizes. Hunan has 8 radio stations and 26 radio relay and transmission stations, 13 television hub stations and 24 television relay and transmission stations, achieving a television coverage of 86.5 percent. The province published during the year 720 million copies of newspapers, 65.56 million copies of periodicals, and 377 million books (including books, textbooks, and pictures).

VIII. Health and Sports

Hygienic and medical conditions have continuously improved. At the end of 1988, altogether 10,400 organs throughout the province were engaged in health services, among them 4,114 hospitals. The province has 141,700 hospital beds, 1.5 percent more than the year before, and 168,900 trained health personnel, an increase of 3.7 percent, which comprise 10,400 doctors of Chinese native medicine, an increase of 55.2 percent, 39,300 doctors of Western medicine, an increase of 61.1 percent, 24,100 medical practitioners, a decline of 28.5 percent, and 15,600 nurses, a 5-times increase. Individual medical units are gradually being reestablished and developed in the cities, and some old doctors come out of retirement and start to practice again, providing medical service for the convenience of the masses.

Outstanding achievements have been attained in sports. In 1988, Hunan athletes won 5 gold medals in international competitions and 33 gold medals in national competitions. In women's weightlifting, 6 women have on 17 occasion bested 15 world records. In the shooting competition, the Hunan team broke one Olympic Games record, and there were 4 athletes who 6 times broke records in Asian games. At the 24th Olympic Games, one Hunan athlete won the silver medal in the men's diving competition, the first to do so. Sports activities of a mass character were also vigorously developed.

IX. Livelihood of the People

With the deepening of the reform of the labor system, the employment field widened. In 1988, positions were found for 146,000 persons "awaiting employment," an increase of 3.6 percent over the preceding year. The total number of staff and workers at the end of the year was 5,302,000 persons, 2.9 percent more than the year before. Among these, 400,300 staff and workers in units owned by the whole people were working under the labor contract system, 189,400 more than the year before. Individual workers in cities and towns numbered 307,500 persons, 24.4 percent more than the year before. The extent of employment in the cities has risen from 53.4 percent to 54.4 percent.

Cash income of urban and rural population has increased. In 1988, the total amount of salaries and wages for all staff and workers of the province (including extra meat allowances) amounted to 8.865 billion yuan,

21.3 percent more than the year before. Average staff and worker's pay was 1,713 yuan, an increase of 17.5 percent. The average per capita livelihood income of the urban population was 1,105.44 yuan, 24.5 percent more than the year before. However, due to the large increases in commodity prices, and also due to the unequal increases in allowances paid to different personnel in addition to their salaries and wages, and differences in other incomes, the real incomes of the urban population have sometimes increased and sometimes decreased, with very wide variations. For a small number of citizens the real family income has declined. In 1988, peasant incomes were heavily affected by natural calamities and by the price increases for agricultural means of production. Per capita the annual net peasant income was 515.35 yuan, 9.3 percent more than the year before, but after deductions to account for the commodity price factor, real income of peasants had declined in some district. In the disaster-stricken areas and in a small number of poverty regions, peasants experienced certain difficulties in their livelihood.

Housing conditions for the urban and rural population further improved. In 1988, units owned by the whole people built 3,853,400 square meters of housing. In the rural areas, 57,840,600 square meters of new housing was built. The urban and the rural population now occupy housing of an average size of 6.9 and 120.48 square meters per person respectively. In the cities, single contained apartments have increased, while in the rural areas brick-and-wood structures and multistoried houses have increased; interior equipment of housing has improved. A reform of the housing system is being tried out.

Social welfare was given serious attention and has been developed. In 1988, by a movement of soliciting contributions with the offer of prizes, an amount of 13,819,000 yuan was collected as social welfare contributions. At the end of the year, the civil affairs departments were operating 1,519 social welfare establishments, 9.8 percent more than the year before, taking care of 17,200 persons, an increase of 3 percent, and disaster victims and destitute people were given relief and support. There was a distinct improvement in employment and study conditions for physically deformed people. Work was intensified to achieve a state of well-being in the old revolutionary base areas, the regions inhabited by ethnic minorities, the border regions, and in impoverished areas, and excellent results have been achieved. Throughout the province, 15,100 households were helped to escape from poverty. New developments also took place in the insurance field. At the end of the year, the insurance organs of the province had insured domestic assets to the value of 57.498 billion yuan. Total income from insurance operations was 524 million yuan, 45.2 percent more than the year before. Total compensations paid out amounted to 240 million yuan, an increase of 42.4 percent. Insurance reserve fund continuously increased, thus increasing capability to pay out compensations.

X. Population

According to a sample survey, in 1988 the population growth rate of the province was 23.32 per thousand, the death rate was 6.82 per thousand, and the natural growth rate was 16.5 per thousand. On the basis of these figures, the total population at the end of the year was 58.9 million, an increase of 960,000 over the preceding year. We are now facing a peak period of population increases, with the year-by-year increasing number of women of child-bearing age, and achievement of the scheduled targets in family planning will certainly be extremely difficult.

Note: The GNP, national income, and various gross output values quoted in this report have been computed at prices of that year, their increases have all been calculated according to comparable prices.

POPULATION

Forum on Birthrate Problem, Possible Solutions

40060580 Beijing QUNYAN [POPULAR TRIBUNE] in Chinese No 4, 7 Apr 89 pp 4-10, 22

[Report on a Forum edited by Qu Wei 2575 0251: "China's Population Situation and Measures To Cope With the Problem"]

[Text] Editorial note: China is now entering the third peak period of births, and the birthrate shows a tendency to rise again. If no effective controls are instituted, the consequences are too dreadful to contemplate. With this situation in mind, the editorial office of the QUNYAN [POPULAR TRIBUNE] held a forum on 21 January for a discussion of China's population situation and measures to cope with it. The forum was presided by professor Wu Cangping [6762 3318 5493], chairperson, the Central Educational Commission, the Chinese Democratic League. The following comrades had responded to the invitation and attended the forum:

Ma Bin [7456 6333], advisor, Research Center for Economic, Technical, and Social Development at the State Council, Tian Xueyuan [3944 7185 0626], director, Population Research Institute, Chinese Academy of Social Sciences, Feng Litian [7458 4539 1131], director, Population Research Institute, Beijing College of Economics, Sun Jingxin [1327 0352 2450], deputy director, State Statistical Bureau, Chen Yijun [7115 0001 4596], assistant research fellow, Social Sciences Research Institute, Chinese Academy of Social Sciences, Shao Qin [6730 4440], assistant professor, Population Research Center, Beijing University, Lin Fude [2651 1381 1795], professor, Population Research Center, China People's University, Zhang Chunyuan [1728 4783 0337], director, Population Research Institute, Beijing University, Hu Angang [5170 7254 6921], Ph.D., Institute of Automation, Chinese Academy of Sciences, Xiao Zhenyu [5518 2182 4416], senior statistician, Chinese Commission on Aging.

Wu Cangping: There is no country on earth that is as much under population pressure as China, and no other nation that faces so serious a challenge to control its population growth. In China's condition, the population problem is a particularly important one. Excessive population will almost always engender endless difficulties and vexations and will be the cause of a great variety of problems. The present food grain crisis, educational crisis, consumption inflation, and other problems are all definitely related to the population problem. The seriousness of the population situation is good cause for a sense of urgency to propagate with greatest intensity the importance of population control and to enhance population consciousness throughout the entire party and nation. Participants at this forum are all experts on the population question. I hope all will fully express their opinions and, on the basis of a clear understanding of the situation, search out measures to cope with the problem. Opinions will later be published in the QUNYAN in order to attract greatest attention to the population problem among the leadership of all ranks and among the masses.

The Warning Bell Has Already Sounded in the Population Crisis

Sun Jingxin: China's population at the end of 1988 was 1.096 billion and will reach 1.1 billion in the first quarter of this year. Progressing at this speed, China's population at the end of this century will exceed 1.3 billion. Where is the cause of the problem? According to statistics at our disposal, main reason is the large proportion of out-of-plan births. The total number of births in 1987 was 22.58 million, and 29 percent of these were out-of-plan births, i.e. an excess of 6.55 million births. Computed according to the present rate of out-of-plan births, China's population at the end of this century will be 1.325 billion, and the crest will come in the year 2050 when the total will reach 1.64 billion. If the out-of-plan births could be reduced to 20 percent, China's population by the year 2000 could be controlled to a figure of 1.286 billion, to reach 1.556 billion by the year 2050. If the rate of out-of-plan births could be reduced to 10 percent, the population by the year 2000 could be controlled to 1.25 billion, to reach 1.463 billion by the year 2050. This shows that every 10 percent reduction in out-of-plan births can reduce the population crest by 0.1 billion.

Lin Fude: China's population growth rate has again been increasing in recent years, and certain conditions have by now become foregone conclusions: 1) The total population will reach 1.1 billion in the first quarter of this year; 2) The 1.113 billion mark of the Seventh 5-Year Plan will be exceeded in 1990; 3) At the end of this century, the population will not be 1.25 billion, but, as it appears now, will at least be between 1.27 to 1.3 billion. If that is so, the crest of China's population will not be 1.4 billion, but rather 1.5 billion. The situation is therefore very serious.

Xiao Zhenyu: China's population growth rate in 1981 was 20.91 per thousand and dropped to 17.5 per thousand in 1984, but then started to rise again in the following years, until it reached 23.26 per thousand in 1987. The development during these 7 years was in the form of a U curve. China's net annual population increase is 16 million, which, continuing at this rate, will bring China's total population at the end of the century to about 1.3 billion. It has, therefore, become unrealistic to discuss achieving the objective of the 12th CPC National Congress for the end of this century. More important is it to determine the objectives of China's population growth control for the next century.

I feel that taking a very serious view of the population situation is the result of a true knowledge of actual childbirths. For the years 1981 to 1987, the average childbirths per thousand women of childbearing age were 80.8, 80.5, 75.0, 69.0, 71.0, 79.0 and 76.0, which gives a kind of a U-shaped curve. The total birthrates for these years were: 2.6, 2.5, 2.1, 1.9, 2.1, 2.4, and 2.6, which would also give a U-shaped curve. Changes in several other indices give further proof of the U-shaped development: The three types of birth control operations performed during the years from 1982 to 1984 were on the average 24 million per year, but during the years from 1985 to 1987 they were only 15.5 million, a decline of 35 percent. Recipients of one-child certificates numbered 29 million during the years 1980 to 1984, but during 1985 to 1988 there were no more than 2 million. In the face of these facts, leading comrades in our departments in charge of family planning always say that figures are "not absolutely accurate," and that "on publication, these figures have an impact not only domestically, but also internationally." In the end, what is being reported are only favorable figures, and nothing unfavorable, so that the true situation of the run-away population growth is being concealed.

Sun Jingxin: The next stage of family planning work is very difficult. We will be faced with a huge number of births. In the next few years, the number of women approaching the height of marriage and childbearing ages will reach 11 to 13 million per year, while they were only 4 to 5 million in the 1960's; this is a very large base figure. There is also the fact that marriages, childbearing, and the peak of child-bearing periods occur earlier. It is particularly noteworthy that the medium figure for ages of females having their first child advanced from 25.3 years in 1981 to 22.9 years of age in 1986. These figures mean that the generation gap in the population is narrowing. We have previously made a survey in 5 provinces and 1 municipality and found that 80 percent of the women did not use any contraceptives when getting married, and after the birth of the first child rely essentially on the breast-feeding period as a natural contraceptive measure. The time differential between marriage and first pregnancy was 2 years in the 1970's, but is now reduced to 1 year.

Chen Yijun: China's population science must not merely concern itself with the science of population statistics

and persistently emphasize population figures. Man is a producer, and his quality problem gives one cause for concern. We may say that presently over half of China's population is not up to the target of socialist modernization in their physical, educational, and ethical standards. The "textural decline" of China's population is becoming more evident with each passing day. The educational quality of the urban population is comparatively higher, but its natural growth rate has reached its lowest limit. In recent years, among the highly intelligent urban youth there is, sad to say, an increasing number that stays unmarried and without children. At the same time, in the seriously culturally and educationally backward villages, over half of the population of working age is illiterate or semi-illiterate, and it is just this portion of the population of low quality that has the highest natural growth rate. Considering the situation as a whole, it seems the trend of a declining ratio of highly intelligent population and of a fast increasing ratio of the low quality population cannot be reversed. This situation can have catastrophic consequences for China's future development in the social, economic, and spiritual-cultural areas.

Sun Jingxin: The qualitative decline of the population can be explained with two sets of figures: First, the ratio of children of pre-school age attending nurseries is only 13.5 percent, according to a survey of 9 provinces and municipalities; in the cities this figure is 38.9 percent and in the countryside 6.7 percent. These proportions show that 86.5 percent of China's school-age children have not had pre-school education. Second, the rate of dropouts from school of school-age children between 6 to 14 years of age is very high, approximately 5 percent. The dropout rate increases with increasing age, and is especially large in the countryside, where it is 3.7-times higher than in the cities, with a higher rate for girls. These conditions should immediately attract serious attention.

Chen Yijun: We must, therefore, soberly recognize the seriousness of the population situation. If it is left out of control, the total population will experience an explosive increase during the peak of births, a time that is about to arrive. The unprecedented population crisis will not only swallow up all the achievements of our limited economic growth, but will of necessity lead to social calamity. We must, therefore, foster a sense of urgency concerning the population crisis.

What Are the Causes of the Population Crisis?

Lin Fude: The occurrence at this time of the serious population situation has its internal law-guided nature, we may say it is the penalty for the anarchist conditions of the 1950's and 1960's. Especially during the years from 1960 to 1971, the average birthrate was 36 per thousand, the highest occurred in 1963 with a rate of 43 per thousand. The 10 years from 1985 to 1995 will experience an inertia effect of the 1960's and 1970's, with the third crest of births. China's population before

1995 will, therefore, still rapidly increase. That can be foreseen. Especially after the third population survey, the situation is very clear and obvious. If we take the data of the most fertile periods of women, we can explain this law-guided nature. About 50 percent of women in China bear children between the ages of 22 and 26, that is the most fertile period. Any population change during this most fertile period conditions the magnitude of the population change over the whole country for that particular period. During the years from 1982 to 1995, about 40 to 60 million women will be in their most fertile period of life, with a crest in 1995 at about 64 million. After 1995, there may be somewhat of a decline, but not of great magnitude. This situation determines that if we continue the current population policy, the population will continually increase. By the year 2000, those in the most fertile child-bearing period will still be 23 percent more than in 1982. These are objective facts that have a bearing on births. In the last few years, population growth was also affected by adjustments of government policies. Especially freeing "girl-only" households from the birth restrictions may result in births of a "compensatory" nature, and this may have an extremely strong impact. We must also realize that China's government policies do not make a complete system. Although we have a policy governing childbirths, there are other policies too that have a bearing on population matters and that cannot be brought together in a complete system with family planning.

Xiao Zhenyu: As early as 2 years ago, many specialist-scholars warned against losing control over population growth, but their opinions were not given serious attention throughout society. This forces us today to again suffer bitter consequences and to consider countermeasures. Population control in China has experienced "an obnoxious three ups and two downs," leaving us with many experiences and lessons, but there was a lack of strategic understanding of the population problem, management was not sufficiently democratic, and the voice of science remained unheeded. Affairs were under the exclusive management of certain departments, with the heads of departments regarding state policy as their "own policy," so that the best of experiences were of no avail. In 1971, Comrade Zhou Enlai once included the population development plan in the national economic plan, but in 1985 one committee chairman eliminated it with one short sentence. Some say that the birth planning commission has become a birth commission. Some of the effective experiences of the past were discarded as "immaterial writings." Even the proposal of the Central Committee, namely "Advocate one child, control those with two children, and no one to have more than two," and the excellent population policy of "leave a small opening, but block up the big opening [don't bother with minor causes, eliminate the big causes]," as revised into "start out in everything from the realities, and don't merely look whether the case is a major or minor one." In this way, all the specific demands of family planning

became vague and misty empty talk. The increase of women of childbearing age is one factor in China's population growth in recent years, but the important cause is the loss of control.

Ma Bin: For many years, the population problem has been a heavy burden on China. The 12th CPC National Congress and the 5th National People's Congress have made family planning and population control a fundamental state policy, combined it with the strategic plan for economic development, and included it in the state plan. However, has our population growth rate declined in the last 10 years? or by how much? In the course of carrying out policy and in concrete actions, what have our experiences and lessons been? Faced with so serious a situation as the population situation, how are we to gain full understanding, how must we analyze and study the situation, and what countermeasures can we propose? Realistically speaking, we have done not enough.

Since the 12th CPC National Congress, plan norms for population control to the end of the century were changed from within 1.2 billion to 1.23 billion, then again changed to 1.25 billion and 1.27 billion, and are now again to be changed to 1.3 billion. There are even people who forecast that it will rather be in excess of 1.3 billion. Formerly, population norms were included in the state plan, but this was later cancelled for unknown reasons. It was said that some suggested that population control and family planning must not become state policy. How is this state of things not apt to lead to a loss of control over population affairs?

China's family planning work may be divided into four regions with regard to policy implementation: First, the arrangement that a one-girl families in the countryside must delay birth of a second child for 2 years is applicable in a total of 15 provinces and autonomous regions. Second, cases of one couple having one child already being allowed a second child under special conditions, a concession that must not be granted to more than 5 to 10 percent of cases. Places where this rule is applied are Beijing, Tianjin, Shanghai, as well as Jiangsu and Sichuan. Third, permission to women in rural areas to generally have a second child after an interval of several years. This policy is being followed in Guangdong, Hainan, Yunnan, and in some parts of Hebei, Heilongjiang, Guizhou, Hubei, Shaanxi, and Sichuan. Fourth, the areas inhabited by ethnic minorities. According to birthrate and sequence of births, we may divide the country into three regional categories: First, regions that are comparatively well controlled are Beijing, Tianjin, Shanghai, the three northeastern provinces, and Jiangsu, Zhejiang, and Sichuan. Second, regions that are poorly controlled are the four northwestern provinces, with the exception of Gansu, the three southwestern provinces, with the exception of Sichuan, as well as Jiangxi, Guangzhou, Guangxi, and Hainan. Third, regions in between the above two categories are 10 provinces. These are divisions which are on the whole followed by the State Commission on Family Planning.

These divisions show that a policy of allowing one-girl families to have another child and on generally having a second child after a certain interval is not advisable.

Besides, the fact that China's family planning work has not yet been confirmed in legislation, and that there are no laws that one could follow in these matters, has an unfavorable effect on population control. We should, therefore, pass legislation as soon as possible, there being no need to wait with our decision to legislate until experiments with the second child per family have been successfully completed.

Chen Yijun: Neglect of education will have the cultural quality of the population decline further; this would run counter to the objective of population control. It is generally known that under certain socioeconomic conditions, the number of births is in inverse ratio to the educational level of women. At present, the proportion of illiterates and semi-illiterates in the total population is still on the increase. Even in the cities, the number of semi-illiterates is increasing. The problem of cultural and educational development of urban and rural women is a particularly serious one. If things are allowed to continue as they are, when will birth control become a conscious action of the people themselves?

The Focal Point of Population Control Is in the Villages

Zhang Chunyuan: Population control will be a long-term task for China, but how are we to control? I feel that we should separate the urban from the rural districts. At present, the birthrate in the cities is indeed already at its lowest point. According to a 2-per-thousand sample survey of the State Commission for Family Planning, the 1987 birthrate in the cities was 14.3 per thousand, the total birthrate was only 1.3 percent and the natural population growth rate was 9.04 per thousand. Because population quality of the urban population is comparatively high, it would be absolutely inappropriate to again pressure them for a further lowering of the birthrate in the cities to control overall population growth. The focal point of population control is clearly and definitely in the villages. In the last few years, the birthrate in the countryside has been comparatively high. According to the 2-per-thousand sample survey of the Family Planning Commission, the 1987 birthrate in the rural areas was 24.94 per thousand, and the natural population growth rate reached 17.26 per thousand, the rate of multiple births was 17.01 per thousand, so that the multiple births alone added 31 to 32 million people to the population. Simple figures reveal that the rural birthrate is higher than the urban birthrate, and, furthermore, that in recent years the rural birthrate is continuously rising. We must, therefore, adopt corresponding countermeasures to reduce the rural birthrate to an appropriate level. First, we must firmly control the critical point of the marriage issue. At least, we must have adherence to the legal marriage age limits and continue to energetically advocate late marriages. At present, a considerable number of people marry early. It

is estimated that in 1987 in 4 million marriages throughout the country, marriage partners were below the legal age limit, a fact that has a great impact on the country's birthrate. The general decline in the ratio of late marriages has advanced the average marriage age by 2.5 years. If early marriages could be stopped, and the late marriage rate could be raised, this would play a significant role in population control in the rural areas. Second, we must substantially lengthen the interval between births. Those who are authorized to have a second child should in general wait for 5 years. Because the current birth policy differs quite widely from the desire for births among the peasants, many peasants are in a hurry to have children; they hide births, evade control by supervisory organs, and have births too closely spaced. This is highly detrimental to population control in China. Third, after the second birth, tubal ligation should without fail be performed to prevent a third out-of-plan birth. In recent years, the absolute number of multiple births has increased, and an important point is the neglect of tubal ligations after the second birth. During the period from 1981 to 1983, the annual average of tubal ligations was 19.16 million, while from 1984 to 1986 the annual average was only 2.37 million. It was therefore impossible to bring down the rate of multiple births. In 1985, there were 3.67 million multiple births, in 1986 3.79 million, and in 1987 3.6 million. If it would be possible to reduce 2.5 million multiple births every year, it would be a great contribution toward controlling China's population growth. Fourth, an effective buildup of a contingent of family planning cadres in the rural areas, with special emphasis on the buildup of a contingent of grassroot level family planning cadres. Fifth, employment of the method of social system engineering to solve the actual problem of two-girls families. After lifting the restriction for one-girl families to have only one child, there is the possibility that in about 23 per thousand cases they will become two-girl families. To solve their actual problems, we must employ a series of methods of social system engineering, including recruiting men to work for them, introducing sons-in-law who will become members of the wives' families, providing old age pensions, helping them to achieve a certain state of prosperity, preferential training in certain skills, etc. This may change the mind of the two-girl families as to wanting more children. Sixth, the whole party must become involved in family planning work, the various departments should closely cooperate and take concerted action, only then will it be possible to accomplish the task.

Sun Jingxin: The rural areas and the ethnic minority regions are truly the focal points for population control. According to data available to us, in 1986 the birthrate among women of childbearing age throughout the entire country was 80.65 per thousand, in the cities only 59.23 per thousand, but in the countryside as high as 88.83 per thousand. Birthrates and the rate of multiple births were higher in the ethnic minority regions of the northwest and southwest than the national average, but as to the quality of the population, it was precisely these same

regions that were lowest. According to the 1987 population survey, the average national rate of illiterates above the age of 12 was 26.77 percent, but in the above-mentioned regions it was generally over 35 percent. Besides, these regions also have a comparatively large number of physically deformed people. From the viewpoint of family planning, following a policy of favorable treatment and concessions to the ethnic minorities is actually not altogether of benefit to them and may even create a vicious circle with regard to population quality.

Shao Qin: Looking at the regional aspects, we see that the focal point of China's population control is in the rural areas, and the weakest sectors of the rural areas are the old revolutionary base areas, the areas of the ethnic minorities, the border areas, and the impoverished areas. Looking at the differences by gender, the focal point must be the women. Half of the Chinese population are women, and transforming their views on childbearing would be of greatest significance for population control. After liberation, great changes have occurred in the political and economic status of women as well as in their views on childbearing, but it cannot be denied that due to various reasons the position and educational level of the vast number of women, particularly women in the rural areas, is very low, that their views on childbearing are still ignorant and backward, and that the concept of the greater value of males over females is still strongly entrenched. Viewed from the angle of the state's population control, it is necessary to first of all change the views of women in the matter of childbearing.

Chen Yijun: After introduction of the production responsibility system in the rural areas, the family became again the independent production unit with self-determining powers. The peasants have the possibility for "self-development" with regard to their desire for children and the family's need for labor. The development of commodity economy, furthermore, increased the mobility of the rural population, and it became very difficult to control the childbirth activities of some parts of the floating population. In actual fact, the one-child policy is by now no more effective in the rural areas, and multiple-births are not a rarity. Secondly, childbirth has also its cultural aspects, concepts regarding childbearing are closely related with cultural and educational upbringing. The age-old belief of Chinese that "many children means good fortune" and that "boys are of higher value than girls" cannot be changed by administrative or economic measures. Besides, China has not yet developed a social security system, and it will be impossible in the near future to solve the problem of care for the aged. Especially in the countryside the support of the aged is a matter for each family and each household to take care. Introduction of the production responsibility system has even increased the people's sense of responsibility, as also their anxieties in this respect. It is a real problem.

Under the present circumstances, our population control policy requires adjustment. Its measures must be feasible, and much more thought should be given this matter.

We must not merely look at controlling numbers, but must give more attention to the problem of population quality. In my opinion, family planning work cannot place its hope on a further "exploiting of potential" in the cities. On the contrary, our policy should favor an increase again in the proportion of the urban population of high intelligence, to improve the proportionate differential between highly intelligent and less intelligent population. In the rural areas, should we not also institute a general policy of allowing each couple to have two healthy children of different sex, determine an appropriate time interval between two pregnancies, and also determine the sex of the fetus of the second pregnancy at an early stage, to ensure that the couple will have one boy and one girl, and to prevent a third and even further pregnancies. Decisionmakers must fully absorb the research achievements of the different disciplines, so that the population control policy will truly be established on a better scientific foundation.

Need for a Clear Understanding of the National Condition, Implementing State Policy, Consolidating Policies

Hu Angang: In a study of the population situation and measures to cope with the situation, we must first of all gain a clear understanding of the national condition. This is the only way to be able to determine a suitable developmental objective, to determine an accurate developmental strategy, and to adopt effective policy measures. In research of over 2 years, we have condensed the essential points of China's national condition as being: First, there is abundance, namely an excess of population, the total population by far exceeding what its resources can reasonably support, and also more people than can be employed. A labor force of over 100 million is now latently unemployed in the rural areas. Second, there is weakness, namely a weak foundation. Average per capita fixed assets and means of livelihood are at a very low level; the average per capita fixed assets of the nation's peasants in 1985 was 128 yuan. Third, there is lowness, namely a low level of education, culture, science, and technology. The illiterates and semi-illiterates of the country number 230 million, which accounts for one-quarter of the world's 800 million illiterates and semi-literates. The average exposure to education of children over 12 years of age throughout the country is 4.6 years, which leaves them below elementary school graduation standards. Fourth, there is a shortage, namely a relative shortage of resources. The average resources available per head of population are far below the average world level. Fifth, there is poverty, namely the country's low ranking in the world in per capita GNP, and the still widening disparity with the developed countries and countries with medium incomes. Each one of the above-mentioned factors is related to the population problem. They are decisive for a considerable period of time for the need for China to have a basic policy of family planning to control population growth;

comparatively high accumulations to contend with consumption; widespread education, development of science and technology, high esteem for culture; economizing resources and protection of the environment; reform and opening up and continued development. These essentials of the nation's policies are not affected by any changes in the situation. Secondly, we must historically review China's population, analyze the present condition, and forecast future trends. The development of China's population has roughly experienced three phases of multiple increases: The first phase was from the 10 to 20 million people at the time of the Qin Dynasty to a population of 60 million in the Western Han Dynasty. This was followed by several ups and downs in population up to the end of the Ming Dynasty and beginning of the Qing Dynasty, when the population had all along never exceeded 60 million. The second phase was an increase from 60 to 100 million in the early years of the Qing Dynasty. This increase exceeded the 400 million mark by 1840, establishing the subsequent scheme, base figure, and foundation of China's population. The third phase was the increase from 540 million in 1949 to the present 1.1 billion people, a phase that will continue into the next century to reach its largest expansion of at least 1.5 billion. We are now in the middle of the extra large ladder of a multiple population increase that is unprecedented in Chinese history. Its special characteristic is the largest base figure, the highest magnitude, and the fastest development. It will be conspicuous by three large crests of population increases in the first half of the next century, namely persons of working age will reach 1 billion by the year 2020, the total population will reach 1.5 billion between 2020 and 2030, and the number of aged persons will exceed 300 million by the year 2040. The mentioned three crests will come about one after the other and will have an accumulative effect. As the natural resources to support the entire nation dwindle, as the country's potential is limited, this phase will become a most painful time for China, and the time limit for China's upswing in modern economic development and its natural resources are strictly circumscribed. The 30 to 40 years until these three large waves of population increases will descend on China are critical for the future existence and development of the Chinese nation. History and the future has left us and the next generation very little room to maneuver, time for adjustments is short, basic conditions are harsh, and this chance for amendment is the last we shall get. If we are unable to effectively control population growth within this space of time, if we cannot powerfully promote the reform process and persist in opening up, it will mean that we shall lose not 10 or 20 years, but possibly 100 years or an even longer period of time.

Tian Xueyuan: The seriousness of the population problem is now apparent and will be so for a long time to come by the contradiction of a shortage economy and excessive population. Only by a full understanding and a correct assessment of this point will it be possible for us to advance the reform on a solid foundation and correct track. If we neglect or remain ignorant of this point, the

reform cannot possibly achieve the anticipated results, and its continuation will even prove impossible. Shortage economy and excessive population are two things that interact: The more shortages there are in the economy, the more evident will the excess of population be; the more serious the excess of population, the greater the impact of purchasing power and employment pressure, and the shortages in the economy will then also become more evident. I therefore agree that population control be included in "improving the economic environment," so as to provide a radical solution for the problem. It means on the one hand developing the economy, bringing about a change in the shortage economy, and on the other hand population control, restricting the excessively fast growth of the population. How are we to include population control in "improving the economic environment"? Basically, it is still a matter of implementing state policy and consolidating state policy. Presently, the differences in China in the question of population growth rate are still very large. There are comparatively large differences between city and countryside and between regions in a more advanced stage and regions in a less advanced stage. The method for solving the problem is to reduce comparatively high birthrates, that means, finding ways to reduce the population growth rate in the villages and less advanced regions. This must be the objective of our struggle, as it is also the focal point of work. Of course, for the purpose of reducing population growth, we must preserve stability and continuity in state policy, also take firm hold of the crucial points, and strive for reform. The population problem cannot be divorced from social and economic developments. There are, of course, various reasons for the new rise in the birthrate, such as, for instance, errors in family planning work, changes in the age structure of the population, etc., but they are closely linked with the economic reform and opening up. We must integrate our strong emphasis on population control with this greater environment, because divorced from that greater environment, it will not work to merely mechanically copy the methods of the past. We must on the one hand earnestly review experiences and lessons of past population control work, and on the other hand study what changes have occurred, following the economic reform, in the operational mechanism of the family planning system. Although traditional childbirth concepts have their influence on the childbirth problem, research in the population science shows that the value of children and the expenses for raising children influence the ultimate motivation to have children. This shows now most conspicuously in the following areas: First, in the labor problem, how to meet the demand for labor if fewer children are born. Second, in the care for the aged, how to establish reliable security for the aged, so as to eliminate anxiety of couples with no or few children as to who will care for them in old age. The establishment of this kind of a security system could be solved within the family planning system by converting the one-child allowance into an old-age pension. I have made the following calculation: One-child allowance is now being paid for 14 years at the rate of at least 60 yuan per child

per year. If the parents would start at age 25 to pay this amount into an old-age insurance fund, earning 10 percent interest, it would amount to about 1,600 yuan by age 39 and could amount to over 13,000 yuan at 60 years of age, which would basically solve the problem of their care in old age. The government would not need to spend money, not only that, it may take what is presently expended as one-child allowance and transform it from a consumption item into an accumulation item. As it would be helpful toward "regulating the economic environment," it would indeed be a matter that benefits the state as well as the people.

From the Root of the Problem to Long-Range Action

Feng Litian: The sharp contradiction between the population explosion and economic development is not something that only came about today, it has lasted through the entire initial stage of socialism from beginning to end. Ignoring the long-term seriousness of the population situation may lead to relaxation in family planning work. The consequence would be continued growth and a population explosion, which would entail endless trouble. It is therefore necessary to earnestly, effectively, and unremittingly launch population control work. However, we must also not act panic-stricken or allow ourselves to be thrown into confusion because of the seriousness of the situation. Otherwise, we might easily become hot-headed and adopt measures that would be too drastic and diverge from our national condition. Such measures would aggravate the confrontation of party and masses, result in haste that will not achieve our purposes, and the seriousness of the population situation would remain unchanged. We must recognize that childbirth activities in the family are conditioned by many factors, and one paper order from above cannot possibly provide a happy solution for everything. There is here the contradiction between the macroeconomic interests of the state and the microeconomic interests of the family. We have in the past frequently emphasized that state interests weigh more, but it is also not possible to have the masses completely abandon the micro-interests of the family in handling their own childbirth activities. Thus a stalemate is finally reached, and this compels us to work toward perfection of our childbirth policy. A perfect childbirth policy will on the one hand consider the macroeconomic interests of the state and on the other hand make appropriate provisions for the microeconomic interests of the family, it will be a policy that combines necessity and feasibility of birth control.

I strongly believe that China's population control of the past has been one that merely emphasized short-range actions, while neglecting long-range actions; it had emphasized curing the outer symptoms, but ignored the root of the disease. We must now bring about a shift in our understanding. While not relaxing our attention to short-range activities and trying to cure the outer symptoms, we must at the same time emphasize that a start has to be made in long-range activities with the idea of curing the root of the disease, so as to eliminate as

quickly as possible all social, economic, and cultural causes of the high birthrate. I think of presenting here a few ideas for the reference of those in decision-making, leading positions: First, we must carry out a comprehensive review of all experiences in China's 10-year practice of economic reform, and as quickly as possible establish a mechanism of life and death competition, characterized by efficiency, quality, and technologies. We must firmly reject the thesis of the shortage economy, and must set up the theoretical system of a surplus economy with Chinese characteristics as the primary guiding ideology for China's economic structural reform. Without a surplus economy, there can be no talk of efficiency, quality, technology, and of any life and death competition. It would then be impossible to extricate ourselves from the dilemma of an extensively expanded reproduction, and it is exactly here that we find the economic source for the desire for many childbirths and early childbirths in China's rural areas. Second, we must enhance China's cultural and educational undertakings, especially basic education. We must not begrudge spending some capital to effect, within the shortest possible time, an earnest rectification and widest dissemination of elementary education in the villages. We must raise through various channels the necessary funds for education, and should not even shy away from seeking foreign loans for basic education. More education and a higher cultural level is not only a basic precondition for the development of an economy based on modern technologies, but also a decisive factor in reducing the birthrate in China's villages. When we recently studied the three variable relations, namely the overall birthrate, the per capita economic level, and the cultural index, and established a multivariate regressive model, we discovered that raising the cultural level is conspicuously of more significance in lowering the birthrate than raising the per capita economic level. Third, the State Family Planning Commission was reorganized into a State Population Commission, to be in charge of the implementation of the entire population policy (and not only the childbirth policy), to establish and promote as quickly as possible a law on eugenics, establish a state population fund, to run industries, and to establish, as a priority, a social security system for parents in the countryside who have responded to the state's call for family planning. Our family planning work must gradually undergo a transformation from the present type of administrative control and direction to a type of services to the masses.

Lin Fude: Assuming that our policy is one of stabilizing childbirths, the critical points, in my opinion, are now: 1) Strengthening leadership. People have a saying: "Family planning does have its difficulties, from right to left, from top to bottom, there are difficulties, but if the leadership would pay serious attention to it, there would be no difficulties." 2) Regulation on a comprehensive scale. The exceptionally heavy responsibility must not be allowed to rest only on the shoulders of the Family Planning Commission. It would be best to establish at an early date a population commission which should be in overall charge of the whole area of population affairs. 3)

The focus should now be on eliminating multiple births, early marriages, and early births. In 1987, for example, without multiple births, early marriages, and early births, the birthrate could have been reduced by 5 per thousand. In this way, we would have certainly been able to achieve the population target for the end of this century. Strict enforcement of the current childbirth policy is, therefore, not only a task of top priority, but also a matter of profound and far-reaching significance.

Wu Cangping: A very basic characteristic of China's national condition is its excessive population. In China's economic development too, one of the most crucial difficulties is the excessive population. Excessive population is the most serious problem in China's future. We cannot but feel deep concern about the population prospects that the Chinese nation is about to face, and cannot but reflect on methods to effectively control population growth. In my opinion, it is not much time that history has left us in the population problem. If we want to lay a good foundation within this century for the solution of the population problem, so that we may achieve the economic upswing in the next century, we are indeed pressed for time. We just had here a general discussion of many measures, some of a fundamental nature, some of an emergency nature. In my opinion, the ones of an emergency nature are imperative under the circumstances, because the mistakes made in the population problem cannot be rectified within a short period of time, and there is no force that can possibly make amends. We are now amidst a third crest of births, and if we do not handle the situation properly, there will be a fourth, fifth, etc. high crest of childbirths. If we are unable in the present phase to adopt effective measures, trying later to recover a lost opportunity would be a belated effort. During the Sixth 5-Year Plan, we only looked at the achievements and did not recognize that we were at that time at a low point in population growth. The potential for population growth was just building up, so there was no sense of urgency. Now, however, the entire party and people must foster and strengthen population awareness as a precautionary measure before actual danger will be upon us. Population awareness demands that people understand that China will, for a long time to come, be in a situation of having an excess of population and a low level of population quality, and that the many short-range actions by the state frequently did not consider the most basic national conditions of China, namely its huge population and its weak economic foundation. There is too little population awareness, as manifested by the sometimes ardent and sometimes cool, sometimes urgent and sometimes unconcerned attitude in matters of population control. Then there is the "Law Governing Family Planning," which has been drafted and submitted to the Standing Committee of the People's Congress long ago. However, 5 or 6 years have passed, and up to now it has still not yet been discussed. Very obviously, the seriousness of the population problem has not yet been truly recognized in China. If there would truly be population awareness among the leadership, they would consider the national

condition of China's overpopulation and low population quality in many of the decisions they are making. They would then, to a very large extent, avoid a great variety of mistakes. For instance, in an awareness of China's huge population and of the fact that over 1 billion people need food, they would certainly not have reduced investments in agriculture year after year. Only now that there is a 4-year halt in grain production has this problem attracted attention. The educational issue is even more of a problem. If some excuse themselves by saying that we have had in the past and are having now "too heavy a burden" already on our shoulders, because of the excessively large population, we will be facing a serious dilemma of an even lower population quality, starting at the end of this century or in the beginning of the next century, brought about by the changing character of the teenager component of the population. The combination of large numbers of people and a low quality of the people will make it impossible to extricate the Chinese nation from its predicament. The population problem is bound to affect economic development. We all know that it was planned that China's per capita GNP would reach \$800 to \$1,000 by the end of this century, and that the per capita allotment of grain would be somewhat over 400 kg, all this is was computed on the basis of a 1.2 billion people as denominator. The more people the less per capita GNP and grain, and the longer it will take to reach the anticipated target. If population control is ineffective, it will have a serious effect on the realization of the three-stage strategic objective set forth by the 13th Party Congress. Reaching the level of a medium-developed country will be even more difficult, and the country's modernization will become something in the far-away distant future. For a prosperous development of the Chinese nation, and to avoid sinking deeper into the quagmire of the population problem, our call goes out: Sober up quickly from apathy, strengthen population awareness! This is the end of our discussion today; I hope everybody will hereafter continue the discussion in the pages of the QUNYAN.

AGRICULTURE

Ministry Officials Interviewed on Structural Reforms

Minister of Agriculture He Kang

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[Article: "Minister of Agriculture He Kang 0149 1660 Answers Reporter's Questions on Structural Reform of the Ministry of Agriculture"]

[Text] ZHONGGUO NONGKEN: Minister He, please discuss the guiding thinking of this structural reform of the Ministry of Agriculture.

He Kang: Fundamental changes have now occurred in China's rural economic relations. With the intensification of the rural economic system, interrelations between

agricultural industries have become closer and more interconnected daily; the linkages of industries' supply of production materials, commodity production, processing, and marketing are mutually extended and have become an indivisible economic entity. Thus, the Ministry of Agriculture should gradually improve pre-production, in-production, and post-production management service and form a mechanism; we must improve the overall balance between various industries and macro-regulation of the rural economy.

Based on the current stipulation of the actual situation of deepening rural reform and the stipulations of the State Council's Plan for Structural Reform approved by a session of the 7th National People's Congress, the Ministry of Agriculture's "functions should be expanded and strengthened." The post-reform Ministry of Agriculture will be both the functional department for overall management of such industries as growing crops, animal husbandry, aquatic products, state farms, township enterprises and the feeds industry as well as the coordinating department for macro-management of the rural economy.

In line with the demand to "shift functions, cede authority to lower echelons, readjust structure, reduce personnel, and improve efficiency," in this reform we will transfer or cede authority for some micro-management functions to enterprise units and local areas. Ministry agencies will focus their energies on macro-management. The continued, stable, and comprehensive development of agriculture and the rural commodity economy will be promoted through management, coordination, supervision, and service.

ZHONGGUO NONGKEN: What functions of the post-reform Ministry of Agriculture will be expanded and strengthened?

He Kang: The post-reform Ministry of Agriculture will not be entirely like the former Ministry of Agriculture, Animal Husbandry and Fisheries. In terms of functions it will be improved and expanded, having both industry management functions and macro-coordination functions. The functions to be expanded and strengthened are primarily the following: research and drafting of rural economic development strategy and principles and major economic policy, technology policy and industrial policy; participation in coordination of macro-management of the rural economy and reform of the economic system; participation in research and formulation of rural commodity import and export planning and such related work as pricing, credit and tax revenues, coordination of comprehensive use of various means by relevant departments to regulate and control the market and guide production; participation in organizing circulation of agricultural and animal products; coordinating economic work of animal husbandry regions; directing, inspecting, and supervising developmental work in agricultural districts; and organizing the coordination of the national feeds industry.

ZHONGGUO NONGKEN: What readjustments have been made in the internal structure of the Ministry of Agriculture?

He Kang: On the basis of the changes in functions, the Ministry of Agriculture has carried out corresponding readjustment of the internal structural set-up. The newly-established Ministry of Agriculture will have 20 offices and bureaus, which include: General Office, Office of Personnel and Labor, Office of Policies and Regulations, Office of Rural Economic System Reform, Office of Overall Planning, Office of Finance, Office of Science and Technology, Office of Education and Propaganda, Office of International Cooperation, Office of Environmental Protection and Energy, Office of Agricultural Districting (assuming the responsibilities of the Office of the National Agricultural Districting Committee), Bureau of Fisheries Administration and Fisheries and Harbors Supervision and Management (called the Bureau of Fisheries Administration and Fisheries and Harbors Supervision and Management of the People's Republic of China, abroad), Office of Agriculture, Office of Animal Husbandry and Veterinary Medicine, Office of Aquatic Products, Office of State Farms, Office of Township Enterprises, Office of State Farms Management, Office of the National Feeds Industry, and Office of Administration. The authorized strength of the Ministry of Agriculture is 1,150.

This internal structural realignment took into account that the Ministry of Agriculture's work involved industries more and that the shift from specialized management to overall management required another process; it also took into account reduction of the managerial levels, therefore the ministry decided on principles of being both centralized and decentralized, centralizing what ought to be centralized and decentralizing what ought to be decentralized. What should be centralized now are primarily the departments of personnel, agency party committees, old cadres, administration, auditing, and inspection. This "three decisions" plan eliminated the Office of Goods and Materials and established a Chinese Agricultural Goods and Materials Supply and Marketing Company under joint leadership of the ministry and the Ministry of Goods and Materials; combined the two offices of education and propaganda into the Office of Education and Propaganda; in addition, the General Office of National Feeds Industry which was transferred from the State Economic Commission was added; an Office of Rural Economic System Reform with the primary task of participating in direction of reform of the rural economic system, directing and organizing enterprise management and industry associations of the responsible industries, directing administration and management of agriculture and coordinating rural economic relations was added.

ZHONGGUO NONGKEN: Why were some specialized bureaus renamed offices? Are there any changes in the functions after the Bureau of State Farms was renamed the Office of State Farms?

He Kang: In this structural reform, in the functional structure of the Ministry of Agriculture, apart from the Bureau of Fishery Administration and Fishing Harbor Supervision and the General Office, all specialized bureaus are renamed "offices." This was done primarily on the basis of the demand of the State Council for standardization of agency names. There is no essential difference between office and bureau.

After the Bureau of State Farms is changed to the Office of State Farms, it will still be the overall functional department in charge of national state farms and will carry out macro-managerial functions and management of state farm economy industry nationwide.

Bureau of State Farms Chief Sun Panqi
40060583 Beijing ZHONGGUO NONGKEN [CHINA'S STATE FARMS] in Chinese No 4, Apr 89 pp 5-6

[Article: "Chief of Bureau of State Farms Answers Reporter's Questions on Structural Reform of the Bureau of State Farms"]

[Text] **ZHONGGUO NONGKEN:** The cadres and employees of state farms are very concerned about the issue of structural reform of the Bureau of State Farms. Please discuss this situation.

Sun Panqi: The Bureau of State Farms is a functional department of the Ministry of Agriculture, therefore, the structural reforms of the Bureau of State Farms was carried out within the unified framework and arrangements of the structural reform of the Ministry of Agriculture. First let me explain a little. In line with the demands of the State Council for standardization of names, in the future the Bureau of State Farms will be called the Office of State Farms (other bureaus will also all be changed to offices).

The "three decisions plan" of the Office of State Farms has been approved by the Ministry of Agriculture. Post-reform Office of State Farms is both the overall functional department of the Ministry of Agriculture in charge of many industries in the state farm economy nation-wide (including agriculture, industry, commerce, communications, construction and installation and science and technology, education and public health, and commune administration) and is also responsible for managing some directly subordinate state farm enterprises and directly subordinate direct-supply reclamation regions. Its primary functions are to be responsible for drafting state farm economic development strategy, policy, and regulations, and guiding the reform of the state farm economic system; formulating medium- and long-range plans for the state farm economy and annual plans for directly subordinate reclamation regions; being responsible for financial supervision and management of state farm enterprises nation-wide; organizing and coordinating the integrated construction of the state farm system's agriculture, industry and commerce, organizing

the tropical crop economic and technological development work and science and technology, education and public health, and labor wages work of tropical and subtropical regions; coordinating relations between large reclamation areas and between state-run agricultural enterprises and local areas and exercising industrial management of state farm enterprises. That is, the post-reform Office of State Farms is primarily responsible for drafting principles and policies related to state farms and exercising industrial management and macro-management of state farm enterprises nation-wide.

ZHONGGUO NONGKEN: What is the situation in the structural set-up of the Office of State Farms?

Sun Panqi: On the basis of the principle of "transfer functions, cede authority to lower echelons, simplify structure, and improve industry and macro-management" the post-reform Office of State Farms will be reduced from the former 19 offices to 16 (not including the agency party committees). The General Office, and Offices of Planning, Finance, Survey Research, Science and Technology, Education and Public Health, Propaganda, Labor and Wages, Foreign Economic Relations, Agriculture, Animal Husbandry and Aquatic Products, Tropical Crops, Industry, Maintenance, Statistics and World Bank Projects have been retained. In the spirit of centralizing what should be centralized, we took into account the fact that the Office of State Farms had already moved to the new Ministry of Agriculture Office Building, and transferred the agency logistics, personnel, resignation, retirement and elderly cadre management, auditing, inspection, correspondence, and records tasks of the Bureau of State Farms' to relevant departments of the Ministry of Agriculture for unified management. Consulting and project verification were transferred to enterprise units. Such micro-managerial work as goods and materials supply to directly subordinate direct-supply reclamation regions were transferred to enterprise units (goods and materials demand and allocation and planning were retained by the Office of State Farms). The Office of State Farms will focus its energies on macro-management of its own industries.

ZHONGGUO NONGKEN: What are the differences between the Office of State Farms and the Bureau of State Farms in terms of business functions?

Sun Panqi: The change of the Bureau of State Farms to the Office of State Farms is primarily due to standardization of names. There is no difference in business functions between office and bureau. As far as the Office of State Farms is concerned, there is no change in overall industrial management functions, there is also no change in planning, finance, and goods and materials. The name of the Bureau of State Farms was changed, but it is still the overall functional department of the Ministry of Agriculture in charge of state farm work nation-wide, and continues to exercise macro-managerial and enterprise managerial functions of state farms nation-wide. This is repeatedly emphasized by Minister He Kang.

ZHONGGUO NONGKEN: What changes have there been in overlapping and division of labor of business of the Office of State Farms vis-a-vis the comprehensive offices within the ministry?

Sun Panqi: This structural reform of the Ministry of Agriculture stressed that comprehensive offices and specialized offices within the ministry should be strengthened. In the division of labor of offices and bureaus, we took into account centralization of what should be centralized and decentralization what should be decentralized. Planning, finance, and goods and materials of the state farms all retained accounts. However, the ministry is an entity and the overall offices should carry out coordination to improve support of the specialized offices, form an integrated guiding force for rural areas, and ultimately be grounded in development of industries.

Below I will provide a brief discussion of issues of personnel, finances, goods and materials and planning which are of most concern to everyone. The Ministry of Agriculture carries out single level management of the personnel work of ministry agencies and enterprise units directly subordinate to the ministry, i.e., unified management by the ministry's Office of Personnel and Labor. Leadership teams (cadres above the rank of deputy bureau chief) formerly responsible for management of directly subordinate enterprise units by state farm party branch organizations have been changed so that the Personnel and Labor Office is responsible for management and the Office of State Farms participates in assessment work (administrative professional work is still the responsibility of the Office of State Farms).

Goods and Materials Work: Goods and materials of directly subordinate, direct-supply reclamation regions still have specialized registration. Goods and materials demand and allocation planning are still the responsibility of the Office of State Farms, and after approval, the Agricultural Goods and Materials Company handles specific arrangements for such things as orders and supply.

Financial Management Work: Financial management of the Xinjiang Production and Construction Corps, and the Guangdong and Hainan reclamation districts is still the responsibility of the Office of State Farms; the Ministry of Finance and the Ministry's Office of Finance jointly draft the financial and accounting regulation system for state farm enterprises nation-wide; directs the industry's financial accounting work; pools final accounting of state farm enterprises nation-wide and pre-final accounting of directly-subordinate reclamation districts.

Planning Work: Medium- and long-range development plans of state farms nation-wide and annual plans of directly subordinate reclamation districts are proposed by the Office of State Farms, integrated by the Ministry's

Office of Overall Planning, and reported to higher echelons after examination and revision by the ministry. After the state approves them, they are transmitted to lower echelons by the Office of State Farms.

In line with the former base number of the state farm, capital construction and distribution of non-managerial investment is managed by the Office of State Farms; industry construction project above the quota are proposed by the Office of State Farms, integrated by the Ministry's Office of Overall Planning, and after approval are reported to the State Planning Commission for examination and approval; industrial construction projects below the quota are managed in a regional fashion, examined and approved by the Office of State Farms, accounting and certification done by the Ministry's Office of Overall Planning and after being reported and approved by the ministry leadership in charge, are sent down by the Office of State Farms.

Mobility of Rural Funds Under New System

40060574 Chengdu CAIJING KEXUE [FINANCE AND ECONOMICS] in Chinese No 2, 31 Mar 89 pp 7-10

[Article by Yi Ming 0122 2494 of the China Agricultural Bank, head office: "Mobility of Rural Funds Under the New System"]

[Text] The Effect of Rural Economic Reform on the Mobility of Funds

Since 1987, in the process of the constant deepening of rural economic reform, because of the changes in economic major parts, economic flow, and modes of regulation and control, not only have new driving mechanisms and motive power structures been set up so that in the rural economy there is a protracted development of the original motive power, but also the nature, characteristics, structure, and modes of the mobility of funds have, from this, been established on a new foundation, becoming important driving mechanisms for the transformation of the rural areas from a natural economy to a commodity economy, from a barter economy to a monetary economy, and from a closed economy to an open economy.

For many years China's rural areas have had a self-supporting, self-sufficient, natural economy. Because there was no improvement in traditional production techniques and production tools, the infusion of important factors for production remained at the level of simple reproduction. Therefore, the circulation of rural funds was often a simple repetition of that of the year before. Second, under the traditional economic system, a management method for agriculture that made barter primary was practiced. The plans for planting, farm produce output quotas, and farm sideline product purchasing quotas—all sent down to the rural areas by the state as directives—were goods-in-kind targets, and in their relationship to the price targets for funds put in and taken out they occupied a secondary position. Under

these circumstances the circulation and turnover of rural funds were often broken off without counting the cost and without stressing results. The so-called "highly productive, but poor team" was a typical case. Third, the closed state of affairs in the rural economy and the single-product operation in agriculture meant that the funds could only circulate within a narrow range. This, on the one hand, caused the inability of poor areas to fully exploit and use their abundant natural resources, and on the other hand, caused countless labor forces to be tied to the limited cultivated land and to be unable to form new production forces.

The new economic system in the rural areas, intact since reform began, possesses three important characteristics. First, the agricultural households as well as the many types of rural enterprises have become the basic part of the rural economy. The agricultural household has become the liveliest economic cell in the rural areas. It not only enjoys the full right to act on its own initiative in its operations, but also possesses investment, distribution, accumulation, and other economic functions. Thus, the operating mechanisms for rural funds under the traditional system have been changed, and in its place a structure of funds mobility, in which the agricultural households and the rural enterprises are the center, has been formed. Second, the macroeconomic distribution flow of national income under the traditional system has been initially changed; through regulation of farm produce prices, the price scissors for industrial and agricultural products has been narrowed, and self-accumulating mechanisms in the rural economy have begun to form. In the period 1979-1985, through only the raising of the purchasing prices for agricultural and sideline products, the peasants' income increased by 200 billion yuan. In 1986, the fixed assets of township enterprises totaled 74.3 billion yuan, a 179-percent growth compared to that of 1980, and circulating funds totaled 76.9 billion yuan, a 334-percent growth compared to that of 1980. Rural funds have become an important economic flow that possesses macroeconomic significance, and have become the material foundation for sustained development of the rural economy. Third, the state's management system for the rural economy has begun to shift from in-kind goods to value, and from supply to demand, including the fact that prices, tax revenues, and other internal economic levers are becoming important indirect means for regulation and control; in addition, they are playing a role in regulating the flow of rural funds and optimizing the disposition of funds.

The initial formation of the new system for the rural economy has caused major changes in the nature and character of rural funds.

1. There is a trend toward transforming rural funds into a commodity. The development of the rural commodity economy and the modes of regulation and control that make the market primary have caused the rural funds to begin to be transformed into a commodity. Manifestations of this are: 1) The rural means of production have

been transformed into commodities and the market has been transformed into a flowing-type market. In 1979 the rural production teams had more than 76 billion yuan in fixed assets. After the output-related system of contracted responsibility was put into effect, a large part of the function of money conversion was transferred to agricultural households, and township enterprises put into practice loans and contract responsibility systems. The means of production in rural areas, under the effect of the law of value, have begun to be circulated, shifted, and sold by means of capital goods markets. 2) The gradual formation of market prices for rural funds has made prices, costs, and profits organic components of the funds commodity. The appreciation of funds has become the only standard for the acts of investment by agricultural households. The commodity transformation of credits and funds is manifested in the universalization of the principle of compensation for use, and the regular repayment of capital with interest has become a compulsory restraint on the agricultural household's use of credit and funds. In rural nongovernmental credit, the free credit between peasants and the development of stock and pooled-resources enterprises have led to the gradual formation of market prices for funds, and have become an objective reflection of the cost of funds, thereby playing a role in regulating the supply and demand of rural funds. 3) The lateral flow of funds, under the driving force of average profit rates, has promoted the establishment of rural funds markets and has pushed forward the adjustment of the rural industrial structure.

2. Rural production funds and rural subsistence funds are undergoing a process of mutual transformation. Under the new rural economic system, the agricultural household is the production consumption unit and also the subsistence consumption unit. This situation is manifested in the unity of production funds and subsistence funds. Looking at the existing forms of funds, we see that there are currency and means of production, as well as agricultural and sideline products that have not yet been transformed into currency. The funds that the peasants have can play a role in production, and they can also be expended for the peasants' subsistence. Thus, they have the characteristic of being easily transformed.

3. The functions of rural funds are diverse, and part of the funds have begun to be transformed into capital. In the rural areas, the coexistence of many economic forms, the imbalance in economic development, as well as the emergence of a large amount of surplus labor are the objective foundation for the existence of private enterprise. According to a 1986 survey in the Wenzhou rural area of 31 large households that hire labor, their fixed assets totaled 2.23 million yuan, their circulating funds totaled 3.72 million yuan, and the average trend in transforming funds into capital was about 80 percent. Within the rural areas with nongovernmental credit, private moneylenders who earn their living by making high-interest business loans have appeared, and the annual interest on some of these loans is many times higher than interest on bank loans.

4. The seasonal nature of rural funds mobility has been weakened and their turnover has been accelerated. In the rural economic structure in which planting is primary, the mobility of funds is restricted by the natural characteristics of agricultural production, and it possesses distinct seasonal traits. Thus, to a large extent, the utility rate and use benefits of funds are lowered. The adjustment of the rural industrial structure and the rapid development of secondary and tertiary industries have brought about a state of affairs in which there is a balanced mobility of rural funds and turnover of funds is constantly accelerated. This state of affairs is especially prominent in those areas where the commodity economy is already developed. For example, in Zhejiang province and Wenzhou prefecture, the annual sales of family industrial and commercial households are about 1.1 billion yuan, with 12 to 18 turnovers of funds in a year. In line with the different production periods of all industries being combined and regulated, the utility rate and use benefits of rural funds have been raised.

5. The frequency of the movement of rural funds between areas and between city and countryside has become an "adhesive" in recombining the important elements of production. In integrating cities and countrysides with developed commodity economies, there is a mutual permeation of urban and rural economies and a mutual merge of funds, so the borderlines and characteristics of rural funds and urban funds are indistinct. The main forms of rural funds mobility are: combined production, purchase, and sales undertakings set up across areas; diffusion of urban industries into rural areas; peasants going into cities or other areas to work in tertiary industries or to export labor; and raising funds in the form of stocks and bonds. According to a survey of 13 cities in Liaoning province, rural enterprises in 1986 collected more than 500 million yuan, with outside funds accounting for 95.63 million yuan. In the period 1985-1986, the scale of funds collected in China's rural areas exceeded 20 billion yuan, and to a certain degree provided the mobility of rural funds.

6. The scale of rural funds mobility has been expanded. In 1980 the amount of rural funds was about 130 billion yuan, which included fixed production assets accounting for 10 billion yuan and mobile funds accounting for 30.3 billion yuan; in 1985 there were about 361.5 billion yuan in rural funds—an increase of 1.78 times over that of 1980—in which 213 billion yuan were fixed assets of a productive nature and 146.5 billion yuan were mobile funds. If we look at the flow rate of rural funds, we see that, under the circumstances in which the commodity economy is becoming increasingly lively, the scale of expansion is faster. As for the credit funds in the agricultural banks and credit cooperatives, which are the main channels for the flow of rural funds, in 1986 the total amount of funds sources and funds used was 761 billion yuan, a 2.57-fold increase over that of 1980.

Changes, Characteristics of Rural Funds Structure

Under the new economic system in the rural areas, not only have there been marked changes in the operating

mechanisms for funds, but there has also appeared certain new characteristics in their structure. The new characteristics may be examined from the aspects of funds distribution and funds supply.

Following changes in the rural economic system and adjustment of the rural economic structure, fairly big changes have occurred in the distribution of rural funds. The biggest changes are reflected in the two aspects of distribution by industry and distribution by area.

From looking at the structure of fund distribution by industry, we see that the proportion of funds in primary industry has fallen and that the proportion of funds in secondary and tertiary industries, particularly in township enterprises, has risen. In 1986, of the original value of the fixed assets held by the new economic joint ventures in rural areas, agriculture accounted for 18 percent, industry for 56.5 percent, and tertiary industry for 25.5 percent. Similar changes have occurred in the structure of rural credit funds (see table).

Table of Changes in the Structure of Rural Credit Funds (%)

	1980	1981	1982	1983	1984	1985	1986
Agricultural credit	23.9	26.5	27.2	26.8	27.1	20.6	21.1
Township enterprise credit	14	14.9	15.7	16.2	20.3	17.1	21.8

It can be seen that in the rural credit funds the proportion of agricultural credit fell each year, while the proportion of township enterprise credit rose each year. In areas where the development of township enterprises is fairly fast, the proportion of township credit in rural credit funds is actually as high as 50 percent or more. In addition, the majority of the profits of township enterprises is put into nonagricultural industries. In 1986, 48.6 percent of the profits of township enterprises was used for self-expansion and reproduction, and only 4.2 percent was used to support agriculture.

Next, there are the differences in the distribution of funds by area. Because of different natural and economic conditions in each area, an imbalance in economic development, as well as an imbalance in the distribution of funds, is created (see the table below).

Table of Distribution of Rural Currency and Funds

	Average Net Income Per Peasant (Yuan)	Average Savings Per Peasant (Yuan)	Average Amount of Currency Held Per Peasant (Yuan)	All Rural Departments' Savings (100 Million Yuan)	Rural Currency in Circulation (%)
Developed areas	518	150-200	About 100	494	60
Insufficiently developed areas	409	100	About 75	288	30
Undeveloped areas	311	50	50	169	10

In 1986 the proportion of the original value of fixed assets at the two township and village levels in economically developed Jiangsu, Shandong, Guangdong, Shanghai, and Zhejiang in the nation's total fixed assets was 46.8 percent; in economically undeveloped Gansu, Inner Mongolia, Qinghai, Guizhou, and Guangxi, the proportion was only 3 percent. In these same places the distribution of rural funds was quite unbalanced. According to a survey of 24 counties in Shandong, the amount of currency held by well-to-do households, who constitute 27 percent of the rural population, was 52 percent of the total amount of currency held by the peasants, and more than 90 percent higher than the average amount of currency held. This currency was concentrated mainly in the various types of specialized households and in the hands of individual industrialists or businessmen.

There are three basic elements for the supply of rural funds, namely, funds for support of agriculture, bank

and credit funds, and funds of the peasants and enterprises. Therefore, since the rural reform began changes have occurred to a certain degree in these three supply channels:

1. Although the absolute amount of funds for support of agriculture has increased year by year, the proportion of these funds in the state's total expenditure has fallen from 9.3 percent in 1980 to 3.1 percent in 1986. The proportion of expenditure for financial support of agricultural products and for all operating expenses in the state's total financial expenditure fell from 6.8 percent in 1980 to 5.3 percent in 1986. Therefore, to increase reserve strength for agricultural development and to lay a solid foundation for the entire national economy, the proportion of financial investment in agriculture should, from now on, be raised. Focus should be put on reclamation and development of the nation's land, on harnessing the major rivers, on the construction of large

water conservancy projects, on building protective forests to improve the ecology, and on construction of basic facilities in rural areas for communication, electricity, and commerce.

2. A marked nonagricultural tendency has emerged in rural credit funds. In the period from 1980 to 1986, rural credit increased by 4 times, an average of 28.1-percent per year; agricultural credit increased by 3.9 times, an average of 25.5-percent per year; and township enterprise credit increased by 6.8 times, an average 37.9-percent per year. But the beneficial results of rural credit funds were on the low side. Of rural credit, approximately 15 to 20 percent was in overdue loans, of which 5 percent were impossible to recover. Improving the economic beneficial results in credit funds has become a key to the question of whether effective supply can be increased.

3. There has been a change in the opposite direction in the proportion of funds borrowed by agricultural households and by township enterprises. After the increase in peasants' income, their capability for self-supply gradually improved, thereby changing the past state of affairs in which "production depended on loans, and life depended on relief." The cost of agricultural production can now be borne by their own funds. Therefore, a trend exists where the expenditure proportion for the cost of household production and business to fall. After the proportion of loans from banks and credit cooperatives to peasant families fell, the focus of lending was shifted to township and town enterprises, which have few funds of their own. Besides bank loans, they have to pay off other loans, pay the wages of their staff and workers, and also hand over part of their profits—all of which amounts to about 57 percent of the amount of circulating funds in use—reflecting a tendency, under the circumstances of an overheating economy, for township enterprises in large numbers to easily blindly pursue speed in development.

Set Up Funds Supply and Demand Regulating Mechanisms With the Market as the Center

In the course of the development of China's rural commodity economy, the restricting factor of a shortage of funds will exist from beginning to end. What is the basic way to solve the problem of funds? This writer thinks that, besides constantly improving the beneficial economic results of rural funds and arousing the peasants and the enterprises to correctly handle the relationship between accumulation and consumption, it is of more importance to set up funds markets that are accessories to other markets for important factors in rural areas in order to regulate the supply and demand of rural funds and to promote their lateral flow, so that greater results are obtained from these limited funds. The effect of setting up markets for rural funds lies not only in tapping the potential of these funds through various means and in transforming consumption funds into accumulation funds. A more important effect lies in: 1) The balance of

supply and demand for funds can be regulated. A reason for the roaring demand for rural funds is that the impetus of competitive mechanisms often causes various areas to blindly pursue speed in development. Another reason is that the present level of interest rates in banks and credit cooperatives is too low, and so it cannot play a role in regulating the supply and demand of funds. Introducing market mechanisms into funds mobility can restrict the excessive demand and improve the beneficial results of funds disposition. 2) It will be advantageous for improving the beneficial results of using rural funds. In the funds market, funds are the commodity with which business is conducted. The introduction of loan funds into the reproduction process is bound to require their participation in the separation of surplus products. This will be helpful in changing the state of affairs in the past in which funds were made into a commodity and distributed, remuneration was not counted, beneficial results were low, and loss and waste were serious. It will also be advantageous for eliminating administrative interference and the willfulness of senior officials. 3) It can promote rational flow of rural funds and optimize the composition of important elements in production. Funds not only, in the process of the formation of new productive forces, play an "adhesive" role; they also are able, with their inherent quality of proliferating and going after material gain, to guide the important elements in production into departments or industries with fairly high economic beneficial results.

After 1985 there began to appear in China's rural areas fairly lively nongovernmental funds markets. Their main characteristics are: merged major parts with independence and initiative, credit in many forms, and flexible interest levers. Practice proves that a nongovernmental funds market in the rural areas is a form of market that widely mobilizes the funds of society, that effectively improves the beneficial results of funds, that optimizes to the maximum the distribution of funds, and that meets the demand for rural funds.

Proceeding from the level of development of the productive forces in China's rural areas, in the future we should select and formulate, according to the train of thought below, strategies and specific plans for the development of rural funds markets:

1. Open up and perfect nongovernmental funds markets in the rural areas. Banks and credit cooperatives can adopt various forms in vigorously participating in activities to blend the funds in nongovernment markets and to introduce market mechanisms into the bank and credit domain.
2. In line with the need and the possibility, organize and develop new cooperative and collective financial enterprises. This not only will suit the diversified economy in the rural areas, but also can initiate in the rural financial domain a beneficial competitive situation in which there are many forms of credit and many channels for blending funds.

3. Make credit cooperatives into cooperative financial organizations that are truly run as such, that act in business on their own initiative, and that are responsible for their own profits and losses. Between credit cooperatives, and between credit cooperatives and agricultural banks, form clear property-interest demarcation lines, and promote the formation between credit cooperatives of markets for short-term loans.

In brief, following the gradual formation of the new economic system in the rural areas, the existing operating mechanisms for funds and the organizations for managing funds must be correspondingly reformed; otherwise they will cause friction and drag in the rural commodity economy's progress.

Higher Rapeseed Yield Expected
OW0507035689 Beijing XINHUA in English
0530 GMT 4 Jul 89

[Text] Beijing, July 4 (XINHUA)—The total rapeseed yield in China is estimated to reach 8.35 million kilograms this year, a fifth higher than last year's yield, according to a government official here today.

Statistics from Jiangsu, Henan and 21 other main summer rapeseed producers showed that the sown area of rapeseed amounts to five million hectares this year, 330,000 hectares more than last year.

Anhui Fertilizer Problems

40060637e Hefei ANHUI RIBAO in Chinese
18 May 89 p 2

[Summary] A shortage of funds and energy are restricting chemical fertilizer production and sales in Anhui Province. Because of insufficient funds from December through January, the Huaiyuan Fertilizer Plant had to purchase over 10,000 tons of fertilizer from Jiangsu. Due to plant power shortages in the first quarter of 1989, fertilizer output in Chuxian City declined 25 percent from the same period in 1988. Fertilizer prices have increased because the cost of raw materials has increased. The Huaiyuan Fertilizer Plant originally charged 265 yuan per ton for ammonium carbonate, now the producer price is 330 yuan, and the retail price is 365 yuan, increases of 40.4 percent and 23.4 percent respectively over the same period in 1988.

Hunan Hybrid Rice Seeds Grown on Hainan
40060637d Changsha HUNAN RIBAO in Chinese
23 May 89 p 1

[Summary] The 50,000 mu of hybrid rice seeds that Hunan Province planted on Hainan has produced over 4 million kilograms. The average per mu yield was over 90 kilograms, and the highest was over 200 kilograms. Hunan has also sown 20,000 mu of seeds in Guangxi and Guangdong, and gross output is expected to exceed 2 million kilograms.

Intellectuals Discuss Modernization, National Culture Relation at Forum
40050364 Beijing QUNYAN [POPULAR TRIBUNE] in Chinese No 1, 1989 pp 4-11

[Article on special forum by QUNYAN: "Preserve Traditional Chinese Culture Selectively"]

[Text] *Editor's note: How do we interpret the culture of the Chinese nation correctly? How do we separate the wheat of Chinese culture from its chaff? What is the correct relationship between national culture and modernization? As China continues to make steady progress in reform and with the open policy, the understanding and exploration of national culture and modernization has become a popular conversation topic in the nation's theoretical, academic, and cultural circles. A symposium was jointly organized by the editorial department of QUNYAN Magazine and the Shanghai committee of the Chinese Democratic Alliance on 9 November. Interested scholars, experts, and people from the cultural circle were invited to attend. The seminar was presided over by Comrade Xu Zhucheng [1776 6999 2052], adviser to the Shanghai committee of the Democratic Alliance. The following comrades were present (in order of the number of strokes in their surnames):*

Wang Zhiliang [3769 2535 6852], professor, Chinese Department, Huadong Normal University; **Wang Jianping** [3769 1696 1627], member, LIANHE SHIBAO editorial committee Deng Weizhi [6772 0251 1807], vice chairman, Shanghai East-West Philosophy and Culture Exchange Center; **Li Yuzhen** [2621 3022 3791], professor, Chinese Department, Huadong Normal University; **He Zhenzhi** [0149 2182 1807], director and research associate, Art Institute Shanghai branch; **Shang Ding** [1424 0002], copy editor, Shanghai Cishu Chubanshe; **Zhao Chaogou** [6392 6389 2845], director, Shanghai XINMIN WANBAO; **Weng Shuguan** [5040 2562 0385], vice chairman and general secretary, Shanghai committee of the China Democratic Alliance; **Jiang Xingyu** [5592 2502 3558], adviser to the Shanghai Art Institute.

Xu Zhucheng: This symposium is jointly sponsored by the editorial department of QUNYAN and the Shanghai committee of the China Democratic Alliance so that people of insight from Shanghai's cultural circle can get together to discuss "national culture and modernization." I have been asked to give the opening remarks.

I think this is a very important, very meaningful topic.

Some people say we are writing history and must not let history down. I agree.

This generation of Chinese lives in a great historical era. We are the bridge connecting the past and future. How do we lay the foundation for modernization to enable future generations to build a prosperous, powerful, and democratic China? This is the history we are writing.

To write this book of history, we must do two things: political democratization and material modernization. The two must develop simultaneously and nurture each other. They must develop in a balanced fashion. One must not be longer than the other, like the two legs of a cripple.

Our democratization is socialist democratization with Chinese characteristics, the most important of which, in my opinion, is our own national culture.

Capitalist nations too are engaging in modernization. Take, for instance, the "four little dragons" around us. (Thailand has been making big strides forward recently and shows every sign of becoming the "fifth dragon.") Since the 1960's, they have been making giant leaps economically. Politically, too, they have gradually been liberalizing to fit in with the new economic situation.

In three of the four little dragons—Taiwan, Singapore, and Hong Kong, neo-Confucianism has successively been put forward as the foundation of cultural construction. During my 3-month stay in Hong Kong in 1980, I came across the works of some scholars. Led by Xu Fuguan [1776 1788 6034] and Xu Dongbin [1776 2639 3453], a host of intellectuals have developed a new Confucian philosophy. I was struck by its novelty and feel that we should study and learn from it.

What should be the core of our national culture, the core that will attract whatever is advanced in world science and technology and contribute even more to the modernization effort so that we can accomplish the glorious task entrusted to us by history? This is an issue of interest to everybody. Probably this is also the theme for the new era when we take Chinese learning as the base and apply Western learning for practical purposes. It is not for me to jump to conclusions here. I hope that comrades will express their precious opinions and say everything on their minds in accordance with the principle of "letting a hundred schools of thought contend."

How To Interpret the Culture of the Chinese Nation Correctly

Jiang Xingyu: Recently there has been a good deal of interest in and much discussion about "red," "yellow," and "blue." ("Red" refers to "red Chinese sorghum," "yellow" refers to "yellow soil," and "blue" refers to the "blue ocean," that is, the *River Elegy*.) Red, yellow, and blue are colors. We have with us today an expert on art theory, Comrade He Zhenzhi. She is the authority. (Laughs) I think people of all age groups find it hard to accept *River Elegy*. I find this TV series baffling. From the perspective of artistic conception, one wonders whether it is trying to operate at the level of imagery or that of logic. There is a sense of confusion; it is as if one were standing on Lijiao Bridge. Reading it, one gets the feeling that our national culture is a burden. As long as we are not totally relieved of it, we cannot make progress. This may be a bold idea, but it is unacceptable.

Take this detail. It compares the graves of three historical figures, Zhu Geliang, Zhang Zhongjiang, and Zhang Heng. Not really an appropriate thing to do. In my opinion, the achievements of an individual, not his position, symbolize the wisdom of an entire nation. True, Zhu Geliang was premier of the Kingdom of Shu, but he did not send his son to the Kingdom of Wu or Wei. When he died, he left behind only 800 mulberry trees. Besides, the Zhu Geliang mausoleum that stands in Nanyang today was really built by posterity; it was not the original structure. Why then should we make so much fuss over it, even to the extent of repudiating him?

He Zhenzhi: I see it differently. The *River Elegy* compares the graves of three historical figures without any intention of denigrating Zhu Geliang. Needless to say, the TV movie has many factual errors, which should be obvious to us all.

Wang Zhiliang: As Mr Jiang Xingyu said, the *River Elegy* does err in the way it handles the detail cited above. Nevertheless, there is consistency between the writer's choice of this example and the central idea of the drama as a whole. In other words, what the writer is saying is that China needs new thinking, democracy, and science. After reading the *River Elegy*, I do not think we should jettison the entire culture of the motherland casually. I don't think it is possible to reject the national culture in its entirety. This is because before we can absorb a foreign culture, we must filter it through our own national culture so that it can be merged with it. In the past, we tended to emphasize the process of cognition exclusively, demanding that it reflect reality like a mirror, and we overlooked the subjectivity of the person going through the process of cognition. Note that issues like the national influence of culture and national acceptance also are related to the theory of knowledge. The subjective activity of the receiving nation should also be considered. The cultural tradition of a nation cannot but be a factor in the process of absorbing foreign cultures.

Deng Weizhi: In discussing the relationship between national culture and modernization, we must first clarify what makes up a nationality. Stalin's definition is clearly inadequate today. Only after visiting Yunnan did I realize how complex national relations are in that province. One nationality can often be divided into numerous branches. How do we sort out the different nationalities? It is very difficult. About national culture, the Han nationality of course has its Han culture. But is there a "Man" culture? What about our other brother nationalities? Do they each have a culture? The problems derived therefrom are legion. There are 56 nationalities in China. As communications advance, there will be greater integration between different nationalities. What then do we make of national culture? By national culture, do we mean Confucian culture or Yanan culture? These days we emphasize centralization and oppose fragmentation. Centralization in fact is one of the characteristics of our national culture. I have always thought that you cannot divide Earth into the Orient and

the Occident. Keep going west, and you will end up in the Orient. Keep going east, and you will end up in the Occident. National culture is not a black and white thing. We must see that it may be both black and white, which is also true for languages.

Shang Ding: The *River Elegy* shocked the nation. Some people find it too disturbing. They fear it has gone too far in criticizing national culture. A couple of years ago Feng Jicai [7458 7535 2088] wrote a novel called *Three Inches of Golden Lotus*. Was foot-binding part of our national culture? If so, then the practice of wearing one's hair in long braids should also be part of the Chinese culture. Things like these were rejected in the 150 years after the Opium War and the 70 years after the May 4 movement. Actually, we should not hesitate to discard the chaff of our national culture. In calling for democracy and science, the May 4 Movement was in effect challenging the national culture. One phenomenon should give us plenty of food for thought. Neither "wholesale Westernization" nor "wholesale Sovietization" in the 1950's came to anything in the end. We can therefore see that our national culture has its strengths as well as weaknesses and cannot be rejected lightly. Some people say that our national culture is strong, not weak. After coming into contact with it, the foreign culture invariably ends up being engulfed and assimilated by it.

Jiang Xingyu: The process of Chinese culture engulfing a foreign culture is also a process of absorption and assimilation. The foreign culture is not destroyed. It only becomes a part of our national culture.

Shang Ding: Assimilated and becoming our nourishment. Therefore, we really need not worry about this or that. Instead we should take a look at what is hard to transform in our culture. What worries me is the tendency of our culture to see things in ideological and moral terms. We should realize that our national culture took shape in a closed environment. Fei Zhengqing [6316 2973 3237] once summed up our national culture as "Huang, Huai, and Jiang." If you look at the geography of Asia, the "Huang, Huai, and Jiang" region is bounded by mountains on three sides and is particularly suited to the development of agriculture, animal husbandry, and a self-sufficient economy, particularly our 2,000-year-old feudal culture. In short, a characteristic of our national culture is its high degree of isolation. We have not done enough in absorbing foreign culture. I have written a short article entitled "I Call Haipai." Since it became an open commercial port in 1843, Shanghai has been the best place to absorb Western culture. Haipai cannot be compared to Xitai. It cannot be described in superficial terms. It has been very successful in absorbing Western culture and then disseminating it. In this sense, Haipai culture has made a contribution. I think we worry too much about national culture and are a little paranoid about "wholesale Westernization." Has there ever been a nation in history that has gone Westernized completely? Can the culture of one

nation engulf that of another completely? Culture is not a frozen, changeless thing. Even the Confucian stuff is constantly being modified in the hands of posterity.

Wang Zhiliang: When we talk about national culture, we see it as a complete entity. To me, our national culture must never be rejected. One of the virtues of traditional Chinese culture is that it has the courage to accept foreign influences. Mr Wen Yiduo [5113 0001 1122] once offered this incisive analysis. The Chinese nation, he said, is most open and receptive to foreign culture, which explains why we are still "the master of our own culture" today. Mr Lu Xun's [7627 6598] "principle of taking" refers to the same thing.

How To Distinguish Between the Wheat and Chaff of Chinese Culture

Li Yuzhen: I always feel that while there is a good deal of consensus on a theoretical level, differences of opinion arise as soon as we come down to specifics. In my opinion, since there is dross in the national culture, we should highlight it. How can we defend shortcomings? When it comes to shortcomings, we should not mince our words. That way we can resolve to set things right. National culture seems to be a theoretical issue, but as soon as we touch upon details, people have different opinions. I have been translating foreign poetry for a long 40 years. My feeling is that we have never succeeded in establishing a format for Chinese vernacular free verse. I took up the translation of foreign poetry with this purpose in mind. Forty years later, however, this problem is still unresolved. I tried combining the syllabic features of foreign poetry with those of Chinese poetry, only to run into opposition from some people. Or take rhyming. Rhyming is important in both Chinese and foreign poetry. I tried to rhyme the foreign poetry that I translated into Chinese. Again people objected. There was so much opposition that I almost decided to quit. That reminds me of the relationship between national culture and foreign culture. Consensus is readily attainable on the theoretical level, but it breaks down as soon as we start talking about specifics.

Wang Zhiliang: For years we were used to the dominance of one model.

Deng Weizhi: As artists and writers, we should be consistent. We should not be pragmatists that bend with the wind.

Shang Ding: I think the core of our traditional culture is Confucian thought, which is a secular philosophy. There is no pessimism in Confucianism. It affirms human values, the value of life, and a spirit of optimism in real life. It says one should seek all kinds of knowledge diligently, absorb cultural heritage, and reflect constantly to review experience. All this is good. About the relationship between man and nature, however, Confucius saw heaven and earth as one. He said we should yield to

nature and depend on heaven. On interpersonal relationships, he stressed hierarchy, deference to the rich, and respect for people in power. It stresses the central position of the family and espouses the doctrine of the mean. It emphasizes political trickery and the importance of complying with traditional rules. In Confucianism, the purpose of scholarly pursuits is fame and fortune. Scholarship is a passport to officialdom. When a person achieves academic excellence, he is expected to become an official. All these are shortcomings that cannot be overcome. They are the chaff of our culture.

Weng Shuguan: Even in the case of Confucian thought, we cannot say it is all good or all bad. We should pay attention to this point.

Deng Weizhi: I think a high degree of centralization is itself a drawback in our national culture. Take TV for instance. You can turn it on or you can turn it off. It is up to you.

Jiang Xingyu: We talk about how much the Chinese nation has suffered for years. There is nothing wrong with that kind of discussion. But can we blame all this on Confucian thought and hold it responsible for every disaster? Before he prescribes a treatment, the physician must first make a correct diagnosis. Clearly it is wrong to blame it all on Confucianism. It is said that Zhuang Zi's ideas are much admired and respected overseas. To be honest, I am an admirer of Zhuang Zi's ideas myself. Man turning into a butterfly, flapping his wings, and flying all over the world without a care, leisurely and free. How wonderful! The problem is that there is an impractical dimension to Zhuang Zi's thought. We cannot reverse the course of history and return to nature. Also, Zhuang Zi himself was never an official, so he did not have to solve any practical problem. His thought naturally makes you feel good. Just think, even a 2,000-year-old philosophy has this conflict with reality. As modern men, we should certainly think about it. Thus my idea is that we should not be overly harsh and demand that Confucianism be perfect.

Deng Weizhi: Our feudal culture is a "Sino-foreign joint venture." Confucianism is partly responsible for the misfortunes that have befallen the Chinese nation. But so are the Stalinist model and foreign feudalism.

Wang Zhiliang: In the past, we seemed to have such wishful thinking: Let a sage think and design a model for all of us. Then all we have to do is to follow it. Now it seems that this will not work. We should mobilize the initiative of everybody in the nation to the full. Let us all think together. "Every man is responsible for the fate of his country." We should eulogize the Huang He. We should eulogize the Great Wall. But the *River Elegy* seems to be about something else, some other idea.

Shang Ding: The *River Elegy* says we should go outside, toward the ocean, toward the world.

Weng Shuguan: Under a particular set of historical circumstances, the *River Elegy* succeeds in being thought-provoking. It has been a rude awakening. This is good. But the commentary is full of farfetched and strained comparisons. That is a flaw. Today we talk about the "culture of the motherland." Some people say it can serve as the cultural basis for the reunification of the two sides of the straits. Taiwan has stressed "Confucian orthodoxy" throughout. From Yao, Shun, Yu, Tang, Wen, Wu, Zhou Gong, Confucius, all the way to Sun Yat-sen, there has always been an objective theme irrespective of the personal wishes of the ruler. At the heart is Confucian philosophy. After new China was founded, we too talked about our 5,000-year-old civilization and our fine cultural tradition, but not in specific terms. What does our fine cultural tradition consist of? Some young people today have little idea what our national culture is and cannot make out what things should be continued and what should be criticized. At one point there was talk of subsuming feudal stuff under socialism. We used to make much of "destroying the old and establishing the new." We certainly have accomplished the former, but have we achieved the latter? After a hundred schools of thought contended with one another in the Spring and Autumn Period, Confucianism reigned supreme. Both positive and negative things that appeared when Confucianism held sway should be examined in detail. Note also that negative things tend to emerge readily. Probably because China is a huge country, with a long history of feudalism and an unbalanced pattern of development? Confucian thought cannot be summed up in one word. It cannot be affirmed or repudiated simplistically. Many things need to be explored and examined closely, not something that can be accomplished in one or two meetings. In a nutshell, the relations between accepting our cultural legacy and criticizing it and between "destroying" and "establishing" must be handled properly.

Jiang Xingyu: I want to make one point. Some Japanese say the thought of Wang Yangming has had a deep impact on Japan's development. Clearly then it is wrong to blame Confucianism for the stagnation in which Chinese society now finds itself.

How To Interpret the Relationship Between National Culture and Modernization

He Zhenzhi: In society today there is a widespread apathy to national affairs. The ancients said, "The most grievous sorrow is the death of the heart." As soon as it appeared, the *River Elegy* shook up everybody in society. This may be surprising, but it is the book's very *raison d'être*. It was meant to shock, to set people thinking. Just now Comrade Shang Ding mentioned Haipai culture. A few years ago the same idea cropped up in art. In the 1950's, the Soviet style of oil painting was very much in vogue, what with the Lenin school and ('Su li ke fu) school. In Beijing, it looked as if the Soviet style was going to prevail. But the people of Shanghai did not make much of it. This is the characteristic of Shanghai

culture. Shanghai has always been a diversified place, its characteristic being the lack of characteristics. This is the characteristic of Haipai culture. I admire "red sorghum" and "yellow soil." Later, for some reason, a spate of artistic works appeared that exposed our ignorance and backwardness, such as works depicting deserted and impoverished mountain villages. Which sets me thinking, why don't we write about or paint our present-day life? In my opinion, we should not go to extreme or follow the herd instinct in anything. Foreigners admire some of the stuff in our culture out of curiosity. Take painting, for instance. Westerners have never come up with anything as sophisticated as our "six methods." I feel that the biggest problem facing China today remains the surfeit of feudal stuff. Recently there is talk of Mr Ba Jin [1572 6855] "reentering the fray" because he thinks the specter of feudalism is still hovering around us.

Deng Weizhi: Uniformity and diversity. Liberalization or the lack of it. These are the very things that distinguish one culture from another. Should one individual decide whether a country should open up or remain closed? Or should it be the decision of hundreds of millions of people? I think we need a fifth modernization—the modernization of man. There still exists a mentality today that prevents the modernization of man. In Europe, capitalism would not have germinated without the Renaissance. That the feudal society in China has languished so long has something to do with our intact feudal culture.

Jiang Xingyu: Two points are emphasized in the commentary in the *River Elegy*: color, particularly yellow, and animals, particularly the dragon. I think Confucian thought and Confucian culture are not the same thing as the yellow dragon. Moreover, it is incorrect to emphasize the Huang He as the source of Chinese culture. What about the Chang Jiang? The Heilongjiang? Aren't they the source of Chinese culture too? And how do we interpret Qu Yuan's "Chu Ci"? Some say, "Let new cultural factors supplement our national culture." That is an acceptable proposition. But there are many inexplicable and unacceptable phenomena today. For example, we have never admitted that we are the descendants of the dragon. How then can we import from Hong Kong and Taiwan feudal cultural factors that have already ceased to exist? Or take "The Old Stories of the Southern Side of Town." Are we supposed to let our young people accept and embrace that kind of stuff? What usually happens these days is that the more absurd a thing, the more popular it becomes. I played host to a compatriot from Taiwan a couple of days ago. I mentioned the "Qiong Yao [8825 3852] fever." He said that was hard to understand, noting that in Taiwan Qiong Yao cannot be mentioned in the same breath as Chen Yingzhen [7115 2503 4176]. Deng Lijun's [6772 7787 0689] style of singing is better than the wild music and dance we see around us, but mostly it harks back to the songs of Zhou Xuan [0719 2467]. What worries me is that many old and obsolete things are being introduced into China in the guise of Western progress. That has a fossilizing effect on our national culture.

Wang Jianping: What is national culture? What do we make of traditional culture and culture of the motherland? Are there differences between these three? So far we have not come up with a clear scientific definition. Usually they are mentioned as if they were one and the same thing. Also, what is modernization? That too has not been defined clearly. Does modernization refer to modernization in science and technology or modernization in thought and ideas? Lifestyle or methods of operating and managing a business? What are the criteria for a so-called modern state or society? To me, a heavy responsibility this era has entrusted to us is to further study the relationship between Chinese national culture and socialist modernization. A lot of hard work needs to be done. Come to think of it, social life is indeed multifaceted and diverse. It is a bundle of contradictions. Some people are full of feudal ideas, yet they seek the Western modern way of life. Some people run a modern large enterprise, yet they subscribe to the ancient Buddhist ideas of retribution and preordained fate. Some people are engaged in scientific and technological modernization, yet they are also deeply interested in the philosophy of Lao Zi and Zhuang Zi, in yin and yang, and in the Eight Diagrams. So on and so forth. It would be instructive to analyze these phenomena closely. At least they point to the profound influence of traditional Chinese culture. Apart from the various philosophies and ideas written in the classics, art, morals, religion, folk customs, and social psychology, to name a few, are also an important component of national culture. In discussing the relations between national culture and modernization, I think we should take note of two tendencies. First, there is an impatience to write off the national culture and simplistically equate the thought of Confucius and Mencius and Confucian culture with national culture. Some people today blame the country's political, economic, scientific, and technical backwardness completely on the fetters of national culture. That is going too far. At a time when we are taking pains to mobilize national cohesiveness, enterprising spirit, and patriotism to accomplish the task of national unification, it is clearly inappropriate to act so rashly. Besides, no national culture is free from dross. Despite all its shortcomings, it plays a vital role in holding together in myriad ways a billion descendants of Emperor Yan and Emperor Huang. Actually, most people probably cannot even begin to imagine the difficulty of repudiating the traditional Chinese culture, which goes back 5,000 years. To my mind, the correct attitude is to sort out and transform every component of the national culture carefully and scientifically, a process which requires a good deal of meticulous work. In the process, we should discard the dross, further the essence, and find its meeting point with modernization. For instance, we should examine ways of continuing and disseminating the essence of the concept of morality in our traditional culture and make it readily acceptable to the masses in order to improve the caliber of the population directly. The second tendency is for some stale and corrupt ideas of the national culture to resurface during the development of the commodity economy and even join forces

with the ignorance, savagery, indolence, selfishness, and greed that prevail in the "cultural desert" in society, directly hindering the development of social productive forces. We must be on guard against this serious latent crisis. What is particularly distressing is that some young people lacking cultural training cannot even tell the dross from the essence.

Shang Ding: The ancient Chinese culture was formed by the central plain culture in the Huang He basin, the Chu culture and Jiang Zhu culture in Chang Jiang basin, the Hongshan culture in the northeast, and the Dian culture in the southwest permeating and clashing with one another. As I noted earlier, the Chinese culture, whose core is Confucian thought, contains both wheat and chaff. The spirit of the Chinese national culture can be summed up in two phrases: "Heaven sets the rules; a man of moral integrity constantly strives to improve himself. Earth forms the framework; a man of moral integrity conducts himself by the rules of morality." This kind of traditional culture is a multi-level three-dimensional structure. Besides a rational superstructure composed of philosophy, laws, and ideology, it rests on a massive base made up of irrational or not perfectly rational customs, lifestyle, national psychology, national character, and method of thinking that have evolved through the millennia. As noted above, culture is not a rigid entity frozen in time. It is a slowly changing process, bringing together the past, the present, and the future. A modern economy, on the other hand, changes more rapidly. Modernization in China has been limping along precisely because of the inertia of the highly advanced and massive Chinese culture. We can say our national culture suffers from a lack of change, not from change itself. As I mentioned earlier, China's national culture is highly isolated. In fact, the Chinese culture neither died out nor flourished in the past 150 years not because it was weak to begin with, but because it was strong. It is easier to change something that is weak; either it dies or it stands up again. When something strong becomes weak, it could do neither. To revive itself, it must depend on new forces coming from within; external forces are not much help. It is a problem. I believe the Chinese national culture should join the world's turbulent current on a par with everybody else. We should neither look down upon others nor march forward frantically. We should fear neither "total Westernization" and the extinction of the national culture nor a return to the age of foot-binding and hair-braiding. For almost a century now we have been circling around such emotive and irrational concepts as "Sinization" and "Westernization." It would be unfortunate if a culture does not have an opportunity to clash with other cultures. We are fully capable of transforming a foreign culture with our national culture and, even as we absorb a foreign culture, reexamine, rethink, and choose tradition from a new perspective and with a fresh eye. By rectifying the internal structure of tradition, we can create and rebuild an even more vital modern Chinese culture. But it is worth pointing out that we must be on guard against the dross in traditional Chinese culture

joining forces with the bad stuff in foreign cultures and against bad things disguising themselves as modernization. The tragedy of the Cultural Revolution can serve as a witness to history. It is an anticulture tragedy. Shorn of its superficial language, it represents a line diametrically opposed to the May 4 tradition pushed to its logical limit. It is a distortion of the so-called May 4 spirit. In essence, it was a gigantic eruption that destroyed the real May 4 spirit, a purge of human culture by political forces. This is exactly an example of old stuff reappearing in a new guise. We can say that the traditional culture is related to the natural economy in every way in the minds of people. For years we have failed to accomplish the historical task of totally getting rid of old traditional ideas. On the contrary, we have often protected various ignorant and backward traditional practices supposedly "out of consideration for national conditions" and in order to "preserve the national character." The conflict between tradition and modernization is hard to resolve. Modernization implies transcending and discarding tradition. The latter, however, resembles a specter that would not go away. This indeed is an important issue that cries out for solution today. As we delve deeper and deeper into it, we will be able to provide correct value guidance for economic construction and the development of science and technology.

Weng Shuguan: Our national culture has a positive side as well as a negative side. The problem now is that even as the positive side has not been properly developed, the negative aspects are growing. They are being preserved as tradition or imported from outside in the new incarnation of modernization. We should study our national culture closely. We must not belittle ourselves improperly or subscribe to nihilism. Nor should we indulge in narcissism and be consumed with parochial arrogance. We must open our eyes to the chaff in national culture and be ready to part with it. On the other hand, we must affirm our fine cultural legacy. We must also guard against the reincarnation of some cultural chaff. Such chaff is not our cultural wealth, not our cultural civilization, and cannot represent our Chinese culture. This is how I interpret the relationship between national culture and modernization: We should weed through the old to bring forth the new, discarding the chaff in the course of development. We should not rush to reject this or that. What we have learned in the last decade is that we have never succeeded in reconciling "destroying" with "establishing." After one movement, the old stuff was completely thrown out. But it was not replaced by a new set of institutions. When the environment became a little more relaxed, some of the old stuff was restored. Then a second movement came along and some of the good things were again thrown out. And on it went in a circle. In the end we still find ourselves at square one. What should be affirmed has not been affirmed. What should be rejected has not been rejected. In the end, this boils down to a question of inheriting and developing our cultural legacy. If we inherit no legacy, there would be nothing to develop. Had Marx not read the works of Hegel and Aristotle or Ricardo's teaching on value, there

would have been no Marxism. If we do not accept the legacy from the past critically and instead reject it totally, how can we develop it? Lu Xun advocated the "principle of taking" and called for accepting foreign things selectively. First we take them, then we pick and choose. The principle of taking does not mean accepting everything lock, stock, and barrel. Instead we take just what we can put to use. We should have some idea as to what is good, what is bad. Later, we should combine the wheat of our culture with what is good that comes from outside. In short, we should realize that not everything about Chinese culture is backward; much of it can be an engine for progress and be merged with the process of modernization. What we must do is to advocate democracy and science. We must think and orient ourselves to the world. What we have discussed today is only a prelude, a beginning. We have barely scratched the surface. National culture and modernization are a massive topic. More detailed in-depth studies are called for.

Xu Zhucheng: I agree with Comrade Shuguan's viewpoint. The topic is indeed a colossal one and complex one. It should be discussed further. Unfortunately we are running out of time today. We all have so much more to say. I hope you will put pen to paper and send in your opinions for publication in QUNYAN.

Written statement from Zhao Chaogou: "I Believe in the 'Principle of Taking'"

National culture and modernization. You can write a tome on this huge topic. Here I must be brief and limit myself to one issue: Does our national culture or so-called traditional culture still serve a purpose in modernization? Or should we get rid of it completely like garbage?

I believe in Mr Lu Xun's "principle of taking." He explained it thoroughly. There is this big house. If you linger outside and dare not enter it for fear of being contaminated, you are a coward. If you fly into a rage and burn it down to prove your purity, you are a fool. If you cheerfully go inside the bedroom and help yourself to the remaining opium, you are a scum.

People who believe in the principle of taking, on the other hand, use their brains and exercise their judgment to take and select. Some things in the house they put to use, some they put away, and some they destroy. They become the new masters of the house, which becomes a new house.

Modernization is not going to come from heaven. Nor is it going to take place in a vacuum. To weed through the old to bring forth the new, we must inherit our cultural legacy and bring forth new things from traditional culture. To absorb the best in world cultures, we must learn from foreign culture. "Make foreign things serve China." The principle of taking is applicable in these two areas.

A popular conversation topic these days is whether there are things that we can take from the so-called national culture. Some people tiptoe around this issue. Others explode in anger in order to demonstrate their own innocence. Yet others dedicate themselves to criticizing the "national character" and talk expansively about the "ugly Chinese" to show their modernity. It is true that some Chinese are ugly, but it is a slander to suggest that all Chinese are ugly and that ugliness is inherent in our national character. Then there are those who talk smugly about our 5,000-year-old ancient civilization at every turn. They are self-deceiving. People who think of the "ugly Chinese" as soon as traditional culture is mentioned are self-destructive. Neither mentality or type of behavior brings about modernization. So-called modernization means transforming tradition into modernity and converting things foreign into our own. Our national culture itself has absorbed many external things. It is a product of the principle of taking. It is not a pure thing.

If we criticize the ugly Chinese well-intentionally and set a high demand on ourselves in the hope that we will

improve, if we expose the corrupt phenomena, pathologies, and opium in our culture, that is completely understandable. But we should not lose national self-confidence. Lu Xun was best at snatching victory from the jaws of defeat and dealing a fatal blow to his mighty foe. His character, Mr Q, is still being widely presented as the typical "ugly" Chinese. Yet it is also Lu Xun who said, "Since ancient times there have been people who quietly immerse themselves in hard work, people who work with all their might, people who plead for the masses, people who lay down their lives for justice...They are the backbone of China."

Lu Xun objected to infatuation with the quintessence of the Chinese culture. He objected to burying ourselves in a heap of musty old books. Still he saw the glory in Chinese history. He was absolutely not nihilist as far as national culture is concerned.

Let us study Lu Xun's principle of taking, use our brains and exercise our judgment to learn what is good in our past, and absorb nourishment from abroad. Only then can we begin to talk about modernization.

Analysis of Taiwan Economy During Transformation

40060391 Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese Nos 7-8, 1989

[Article by Tang I 0781 1837: "Taiwan's Economy as It Embarks on Transformation"]

[Text] [No 7, 20 Feb 89 p 41]

The Problem

After 30-plus years of continued growth, Taiwan's economy entered a new stage in the early 1980's.

Data from April 1988 indicate that 16 of Taiwan's exports registered a decline and exports totaled \$4.834 billion, a rise of only 10 percent over the year-ago period and the lowest rate of increase since January 1987. And when calculated in New Taiwan [NT] dollars, the total not only did not represent an increase, but actually was a decline of 7.8 percent. As for labor-intensive industries, textiles and ready-to-wear clothing dropped by 9 percent, shoes fell by 12 percent, toys and sports equipment declined by 5 percent, and metal manufactures dipped 3 percent. Exports showing increases included primarily electronic products, machinery, and plastics manufactures. The slump in export growth also led to reduced imports of machinery, equipment, and agricultural raw materials. Only consumer good imports continued to rise.

Analysis of these basic figures reveals the following:

- Because of the rise in wages, protectionism in Western industrialized countries, and the efforts by developing countries to catch up, the era in which Taiwan and the other "three little dragons" could pursue high economic growth rates through export of labor-intensive goods is nearing an end.
- The increase in income has gradually engendered demand in Taiwan's domestic market, and the expansion of this demand has recently spurred growth in imports and in the service industry. While investment in Taiwan's manufacturing sector declines, investment in the island's service industry has remained high.
- These structural changes in the economy have given rise to concerns about the "gutting of industry." Economic growth is even more dependent on its own environment and on coordination of the international division of labor and of global cooperation.
- The continued slump in exports will make it difficult for Taiwan to maintain double-digit economic growth, and medium and slow growth will continue to have an effect for quite some time to come.

— The development of "strategic industries" led by the machine and information industries has promoted industrial upscaling, and the growth of capital accumulation and international markets is contributing an ever greater proportion of aggregate economic growth.

Clearly, Taiwan's economy faces the pressure of transformation, export expansion is no longer sufficient to support the growth of the overall economy, and economic "liberalization, internationalization, and technologization" are the only way out for Taiwan's economic development.

Where the Problem Lies

The strategy of export-led economic development has successfully transformed Taiwan into a "major trading nation" in the world. Nevertheless, this externally oriented model, which lacks a solid foundation, confronts an intermix of internal and external difficulties.

A. In terms of domestic economy, the salient difficulties are as follows:

1. The economy depends on exports. The expansion of exports, while certainly enabling Taiwan's economy to achieve a prolonged high rate of growth and helping to improve the island's economic and industrial structures, has greatly increased the value of exports relative to GNP [gross national product]. The share of exports of goods and services rose from 13.8 percent of GNP to 53 percent between 1961 and 1979 and thereafter remained at 52-55 percent, engendering heavy dependence on external economies.
2. Domestic investment has stagnated. When Taiwan began to stress external markets and to develop export processing, the island's overall industrial base was relatively backward, much advanced industrial production know-how was available to increase investment, Taiwan enjoyed the advantages of a "late developer," most export processing grew out of the existing import-substitution industry, Taiwan already possessed a substantial market as a backup, and entrepreneurs could rest assured that their investment would earn a profit. However, as exploitable opportunities to export processing were developed and as the export processing structure improved, less and less simple productive know-how was available. And as advanced know-how became more difficult to obtain, as exporters became more dependent on international markets, and as the domestic market's supportive ability weakened, it became ever more risky for entrepreneurs to develop new exports, so willingness to invest and to innovate has diminished. The decline from the large amount of public investment of the 1970's has reduced overall economic activity and is not conducive to encouragement of private investment.
3. The trade surplus syndrome. In 1987, Taiwan's foreign exchange reserves reached \$78 billion. The Taiwan's trade surplus comes primarily from trade with the

United States, and the growth in this surplus has caused friction between Taiwan and the United States, threatens the future growth of Taiwan's exports, and has unavoidably destabilized foreign exchange rates and prices. To reduce its trade deficit, the United States has abolished preferential treatment for the "four little dragons" and forced Taiwan to liberalize imports. This has engendered continuous inflationary pressure, reduced financial autonomy, caused Taiwan to bring along harmful influence so as to ameliorate the trade surplus, and placed Taiwan in a passive position policy-wise.

4. Disturbance and instability in output and prices. Since Taiwan is dependent on world markets, global price rises necessarily buffet the island. With respect to output disturbances, global trade has always been concentrated in the hands of industrialized nations. When these nations experience economic boom stages, their demand for imports rises, Taiwan gets an opportunity to increase markets for its products, and its output surges; the converse is also true.

5. Incongruent economic development structure. In terms of production mix, to date, for both externally and internally oriented industries, previously developed industrial products bear the clear characteristics of processed or assembled goods and have a low value-added rate. In addition, Taiwan's trade (wholesale and retail) and financial sector are the smallest of these several newly industrialized countries and regions. A substantial cause of this unbalanced development structure is inhibited private consumption and an underdeveloped financial system.

B. In terms of the external environment, the main difficulties are as follows:

1. The threat of rising protectionism. In early 1988, the United States announced termination, as of 1 July 1988, of the duty-free status of 29 products (with a total value of \$3.1 billion) imported from South Korea, Taiwan, and six other countries and regions, and increased tariffs on 93 products (which were valued at \$950 million in 1985). This move by the United States has had the greatest impact on Taiwan, whose total volume of exports receiving preferential treatment will be reduced by \$1.2 billion, or 37.7 percent; 132 of the island's exports to the United States are affected.

[No 8, 27 Feb 89 p 32]

2. The pressure for continued appreciation of the NT dollar. The NT dollar has been rising against the U.S. dollar since 1986, climbing 42 percent in 2 short years.

This rise has been higher than that of most newly industrialized countries and regions, but less than that of the currencies of major industrialized nations. Taiwan has counteracted the disadvantageous exchange rate changes vis-a-vis newly industrialized countries and regions by improving its relative productivity, and has

taken advantage of the depreciation of its currency against that of industrialized nations to seize additional opportunities to expand markets in the latter nations, and, thus, the dollar-value growth of Taiwan's exports is by no means less than that of the previous high-growth years. Nevertheless, the fact that some industrialized nations no longer have much leeway for appreciation in the short term, the fact that the United States is pressuring newly industrialized countries and regions to revalue their currencies, and especially the fact that Taiwan, which enjoys the largest trade surplus among newly industrialized countries and regions, must therefore bear the brunt of American pressure make it very possible that the NT dollar will appreciate against all currencies in the world.

3. Intense international market competition. In the past, growth in Taiwan's external trade depended largely on the opening of new foreign markets, whereas, today, competitors for international markets are increasing and competition is growing ever more intense, which poses a great threat to Taiwan's external trade.

4. The blow of the readjustment of the Asian-Pacific industrial structure. Following the global economic crisis of the early 1980's, the readjustment of the world industrial structure entered a new phase, and the new technological revolution and the unbalanced development of the global economy accelerated this readjustment. The use by developed nations of high technology to transform their traditional industries poses a threat to the cheap-labor advantages enjoyed by the externally oriented economies of the Asian-Pacific region. The global economy is becoming more multicentered, whereas the externally oriented economies of the Asian-Pacific region are centered on the United States and developed out of the global economic configuration that emerged in the early postwar era, the productive structures of these economies are constrained by this fundamental setup, and the economies are now under pressure to switch tracks. The deleterious effects of this configuration on the productive structure of Taiwan's externally oriented economy have occurred primarily in the following areas: (1) The cooperation between Western Europe and North America may become exclusionary, and protectionism will be strengthened with respect to the trading partners of these two regions. (2) Not conducive to the deepening of the international division of labor of the Asian-Pacific region. As everyone knows, the tripartite division of labor between Japan, the "four little dragons," and ASEAN has promoted change in the productive mix of the Asian-Pacific region. In this division of labor, Japan uses the other two elements as markets and as the foundation of her bases for exporting to the Third World. Changes in the Western Europe-North American trade configuration may sever this division of labor and force Japan to shift investment to these two regions and thus may impede the shift in the productive structure among the three.

Where To?

In recent years, the Taiwan authorities have carried out a series of long-term economic measures to promote economic transformation, the primary components of which measures are to carry out "liberalization, internationalization, and technologization" so as to create a new order for economy-transformation. Nevertheless, the entire transformation process, buffeted by a series of sudden events, has proceeded sluggishly, and during the transformation period one systemic and policy defect and blunder after another has occurred, which developments have placed Taiwan's economic development under an even darker cloud. Taiwan authorities realize that to break out of their current difficulties they must adopt a set of new trade and investment policies.

1. Shifting from one-sided emphasis on exports to balancing exports and imports. The measures are to accelerate pace, to eliminate unnecessary import restrictions, and to continue to reduce tariffs so as to increase imports; and, in terms of exports, to encourage diversification of external markets and to avoid overconcentration on the American and a handful of other markets.

2. Shifting from protectionism to complete opening. In 1980, there was a great reduction in tariff rates, and the "unified tariff schedule," which had been followed for many years, was replaced with a "multiple tariff schedule." And there have been numerous additional reductions in tariffs in recent years. Nevertheless, Taiwan's tariffs are much higher than those of developed countries, so Taiwan authorities are mulling additional reductions and eliminating tariff barriers and have decided to accelerate economic liberalization, to eliminate unnecessary import restrictions, and to open up the domestic market.

3. Shifting from overdependence on foreign firms to independent development. Taiwan now has nearly 80,000 trading firms. However, most of these firms merely process goods, and most external sales are controlled by Japanese trading corporations, which situation has made Taiwan essentially a production base for Japan. Taiwan authorities are examining their policy of cooperating with Japanese trading corporations and are seeking ways to develop independently and autonomously. The measures employed are coordinating investment by local trading firms on the island and nurturing world class trading companies.

4. Shifting from the "trade-led model" to an "investment-led model." Proceeding from strategic considerations with respect to creating conditions for future economic development, the Taiwan authorities plan to expand domestic and overseas investment and aggressively to promote investment. First, to accelerate improvement and development of the island's domestic economic environment, the authorities are pushing investment in public facilities and in construction; are improving the island's communications, transport, schools, public health, and environmental protection across the board; are aggressively increasing supply of technology desperately needed for investment in industrial upgrading; and are studying and developing state-of-the-art S&T so as to transform the productive structure and to upgrade industry on the island. Second, Taiwan is using some foreign exchange for overseas investment, the focus of which, besides the United States, is on Thailand, Malaysia, Indonesia, and the Philippines.

5. Industrial policy for the promotion of industrial upgrading. To meet the coming challenge from low-wage industry in developing countries, the Taiwan authorities have drawn up a policy aimed at industrial upgrading.

In sum, looking ahead to the great transformation of the global economy and the turbulence of the great transformation of the 1990s, to respond to the severe deterioration in the global trade environment and the great boom in financial speculation, Taiwan's economy can only be readjusted in the direction of "internationalization, liberalization, and technologization," diversify external markets, expand domestic demand, strengthen overseas investment, and transform the productive structure. Nevertheless, domestic investment (including investment for technological development) is hard for Taiwan to increase, it remains highly dependent on the outside world and has a weak foundation, and the success of the transformation and the achievement of its economic strategy will be determined by whether or not Western economies continue to grow. On balance, Taiwan's economy will continue to grow at a medium rate of speed. The next 10 years may be said to the decade in which Taiwan's economy basically will lay the groundwork for the new mechanism of Asian-Pacific cooperation and improve its own foundation.

Luo Te-cheng's 'New Hong Kong Alliance'
40050476 Hong Kong CHIUSHIH NIENTAI /THE
NINETIES/ in Chinese No 231, 1 Apr 89 pp 44-45

[Article by Ling Tzu-ming 0407 1311 2497: "A New Party Is Formed: News of Luo Te-cheng's 5012 1795 0015 Entrance"]

[Text] At long last, Luo Te-cheng, "God's favored son" in the political arena, extolled by the Hong Kong British authorities just a few years ago, and unwilling to be left out, has made a comeback.

This time, he is making his intentions known—he is forming a political organization and calling it the "New Hong Kong Alliance"; he is prepared to recruit the virtuous and the noble-minded and is going to do something big this time. Although Luo Te-cheng has vehemently denied that that is a "party" and has declared that his "comrades" will not run for election or fight for government posts, those with discerning eyes know that this is a temporary smoke screen, and as soon as the organization grows wings and can fly, as soon as it is strong enough, it will act according to circumstances and show its true face as a political party and fight for a seat in the "Hong Kong administration."

Who is Luo Te-cheng? Why has he, who is well-known for understanding the times, ignored taboo, raised the "political organization" banner, and recruited followers in the open? Why is he setting up a separate kitchen—why not merge with other "elites" who already have big party organization plans?

More than 3 years ago, Luo Te-cheng quit his high post as member of the Executive Council. It created a furor and a lot of controversy, first, because he claimed that he was quitting to protest Great Britain's neglect of the interests of the Hong Kong people, because the British abandoned their moral obligation and failed to stand up for Hong Kong against the Chinese during the Sino-British negotiations. At a time when the people of Hong Kong were very worried about their future, it was like adding fuel to fire, and reaction was strong. Second, Luo is a local power elite, nurtured over the years by the Hong Kong British. When he resolutely quit his post, many felt that it was all over for Hong Kong's pro-British groups, that the leadership level was on the verge of collapse.

It is understandable that people would have the latter idea. Luo Te-cheng came from a prominent family. He is of blood lineage of early British settlers in Hong Kong. It was this kind of blood relationship that made possible his meteoric rise and afforded him the special nurture and promotion and eventually made him one of the first local Chinese "elites" to rise to the upper political strata. Luo climbed this ladder, and with his well-known English school education and professional (law) background, he finally made it to the top of the power

structure—the Executive Council. People in the "pro-British clique" have a deep sense of loyalty toward Great Britain, and their political future is guaranteed. There is no reason for someone like that to retire at the height of his career, to jump down from the high place—unless the game is really over for Hong Kong.

Why did Luo Te-cheng leave? Even now, people are still speculating. Some say that there are unspeakable personal reasons. But no matter what the real reason, two points are certain: first, he felt "betrayed" and naturally was full of a sense of lost and resentment, like other members of the "pro-British clique" who, because of their intimate ties with Britain, had expected too much of the British government and then realized that Britain had given up the fight and was prepared to hand Hong Kong back to China. Such feelings can lead to a "break" with the British side. Second, it is difficult for people with his kind of absolute elitism to accept the government's accelerated "political democratization." To him, mediocrity has taken center stage. The quality of the legislators is declining, and he "disdained to be part of it."

He left the Executive and Legislative Councils with mixed feelings and soon started a company called "The Exit." It offers services to people who are seeking a way out of Hong Kong. He also planned to amass funds to finance people fleeing Hong Kong. His deeds, which agitated the people, naturally did not please the Chinese side at first. But Communist China after all is an old hand of the united front, and they realize that if they can successfully "unite" with this prominent figure, it will be invaluable to "unifying" Hong Kong's upper crust. So, soon after Luo left Hong Kong's British system, he was invited to Beijing. There, he was received with fanfare, and the Beijing leadership showered him with respect and listened "humbly" to his opinion with "open minds." He was later appointed member of the Basic Law Consultative Committee by Beijing and, later, rose even higher to become vice chairman of the consultative committee. China's "united front" drive is doing well so far.

With this kind of experience, and from the Chinese perspective, there is one major difference between Luo Te-cheng and others, like Maria Tam Wai Chu [6223 1920 3796], Allen Lee Peng-fei [2621 7720 7378], and Stephen Cheong Kam Chuen [1728 7702 3123], who are a part of the Hong Kong-British structure: Luo has left the British system and buried his "pro-British" elements. Others too may have Chinese ties—for example, Maria Tam Wai Chu is a member of the Basic Law Drafting Committee and Stephen Cheong Kam Chuen is a member of the executive committee of the consultative committee—but they are still a part of the Hong Kong-British system: Besides, Maria Tam Wai Chu is also a member of the Executive Council; she has a foot in both camps, and [to the Chinese] she is after all not "one of us" and cannot be trusted. At this moment, the Chinese are encouraging those in industrial and commercial

circles to form organizations and participate in government affairs to ensure political balance in the future when comprehensive elections are held in Hong Kong. Since Luo Te-cheng has left the pro-British clique, letting him start his own "party" is naturally something that pleases the Chinese side. Among the "New Hong Kong Alliance" members are some, such as Wu Wei-yung [6762 4850 1661] and Chien Fu-i [4675 4395 6318], who have displayed pro-Chinese tendencies in recent years, and this further reflects that this "party" may very well have a Chinese blessing, and even backing.

Of course, when Maria Tam Wai Chu's "Li Chin Society" or Stephen Cheong Kam Chuen's "Hong Kong Foundation" (with chief Legislative Council member Allen Lee Peng-fei behind it) organized their parties, they had informed the Hong Kong branch of XINHUA NEWS AGENCY before they took the first official step. But to the Chinese, their motives and direction are still unclear. In view of the gathering of heroes, it is best to have a reliable political organization at the top, and the "New Hong Kong Alliance" seems to meet all the requirements.

History may explain why the Chinese are worried. A few years ago, Allen Lee Peng-fei and others put on a big show and raised the banner to organize a party and claimed that they intend to recruit tens of thousands of members. It was at a time of heightened open strife and veiled struggle between the Chinese and the British. At a closed-door dinner, a high-ranking XINHUA NEWS AGENCY official accused Allen Lee and other party organizers of collusion with the British with the intention of leading Hong Kong's political system by the nose and fostering pro-British forces. At the end, Lee and others shelved their grand idea, and the big, ten-thousand member party was aborted. The reason is still a mystery, but we can be sure that Chinese pressure was felt. Of course, through social intercourse, and because the situation has changed, all is forgiven today. But hidden suspicion lingers.

This may explain why Luo Te-cheng and others want to be separated from, rather than join, Stephen Cheong Kam Chuen and others. But this is not the only reason. Possibly, there are personal reasons as well.

To Allen Lee Peng-fei, Stephen Cheong Kam Chuen, and Maria Tam Wai Chu, Luo Te-cheng is the "big brother." He started out earlier and has accomplished much. When Allen Lee and others were elected to the Legislative Council, Luo was already a seasoned veteran. In terms of seniority, Luo is a grade higher. During the Sino-British negotiations, they all had close contacts, and Luo often showed the others the ropes personally. After Luo "retreated," the junior apprentices soon ascended to become the new favored ones under heaven; each even carved out a "territory." Luo was properly

upset by this, and gradually there was that "disdained" feeling. Now he has the chance to set up his own shop; he has made a comeback and is showing off his skills before his junior apprentices.

Ultimately, the main reason why there are so many factions in Hong Kong today is that both the Chinese and the British have encouraged the Hong Kong people to form parties, and as soon as those who understand the times got wind of the news, they volunteered themselves gallantly, not wanting to be left out. The reason the Chinese have turned completely around is that they are beginning to understand that if the upper crust is intimidated into not organizing any political parties, but the "democratic faction" and "primary level faction" are vigorously getting organized, when general elections are held in the future, the political arena will be dominated by the latter groups, and the political balance will be tipped. Furthermore, without a "majority party" in control of the Executive and Legislative Councils, political operations will be thrown into chaos and will undermine Hong Kong's stability and prosperity. As soon as the Chinese realized this principle, they immediately changed their stance and have been secretly encouraging everybody to form political organizations.

Rumor has it that earlier, Xu Jiatun [6079 1367 1270], director of the Hong Kong Branch of the XINHUA NEWS AGENCY, held a closed-door meeting with heads of the "democratic faction," and, to everyone's surprise, he urged them to set up nonparty political organizations. Perhaps he too has realized that if the top level is "having a field day" but the lower level is weak, there can be political unbalance, and that too may not be a good thing for Hong Kong.

Hong Kong Residents Harbor Mixed Sentiments About Future
40050513 Beijing XIN GUANCHA /NEW OBSERVER/ in Chinese No 7, 10 Apr 89 pp 11-12

[Article by Gao Fang 7559 2397: "The Joys and Sorrows of Hong Kong People"]

[Text] According to the Sino-British Joint Declaration, Hong Kong will be returned to the motherland and become China's special administrative region on 1 July 1997. The socialist system and policies will not be enforced there. The original capitalist system and lifestyle will be preserved and remain unchanged for 50 years. "One country, two systems" is a foregone conclusion, and it is getting closer and closer. Last fall, I was invited to Hong Kong to conduct a monthlong academic exchange at the Chinese University of Hong Kong. Through broad contacts with people from all fields, I learned that Hong Kong people are both happy and worried about this.

1. What Are Hong Kong People Happy About?

Hong Kong people are happy because they will have their own country and will be able to make more contributions to the prosperity of their motherland.

A young scholar told me what happened to him several years ago while studying at Oxford University of England. There were students from Japan, Singapore, and South Korea. They were all very proud when they mentioned their countries. This young scholar, however, could only say that he was from the Hong Kong area.

Hong Kong is a British colony, not a country. It has not been returned to the People's Republic of China. Hong Kong people do not recognize England as their motherland. So in the international community, they have become people with no country and are despised by foreigners. This has hurt the young patriot deeply in his heart. This was why he was particularly moved by the Sino-British Joint Declaration. He said: "I will have my own country too in the future. I will be a citizen of the great People's Republic of China. I will not feel inferior in front of my old classmates who come from Japan, Singapore, and South Korea." In order to understand and familiarize himself with his motherland, he has stepped up study of Mandarin. (Hong Kong people's first language is Cantonese and their second language is English. Not many young people can speak Mandarin.) He has also toured Beijing and Inner Mongolia at his own expense.

Hong Kong people have a lot of pioneering spirit. On a small island with very limited resources, they have built bridges across the ocean, dug tunnels under the ocean, filled the ocean to expand the land base, and installed mountain-climbing cable cars. Taking advantage of the era of information and the opportunity of international prosperity and relying on the topographical advantage of ports, aid from mainland China, Hong Kong's flexible economic policies, and the working ability and wisdom of Hong Kong people, Hong Kong needed only a little more than 20 years to become the world's largest trade center, whose per capita export volume far exceeds that of every country in the world. Its loading efficiency is second only to New York port in the world. The growth of its total production value ranks third in the world (slightly lower than Japan and the Federal Republic of Germany). The total volume of assets and stock trades ranks third in the world (behind New York and London). Hong Kong people hope that under the condition of "one country, two systems" there will be more opportunities and greater possibilities for them to serve the motherland and speed up the progress of the motherland.

2. What Are Hong Kong People Worried About?

Hong Kong people are worried because the reform of the motherland has yet to get on a normal and healthy development track. During conversations, many people

asked me why the reform has had so many problems. Some units invited me to talk particularly about the reform issue. Everyone was confused about how to solve these problems of reform. The Chinese University of Hong Kong asked me to speak on the subject of "Difficulties Facing China's Reform." In my speech, I mentioned that reform should be guided by ideological liberation. I said: "Political reform should first give impetus to economic, cultural, and educational reforms. Economic reform should be centered on ownership reform in order to clearly establish the master status of workers, arouse workers' enthusiasm, initiative, and creativeness, and accelerate production development. After that, we should carry out wage reform. After wages are raised, we should carry out price reform. Only by so doing can the masses have the ability to withstand all this. The key to political reform is to develop democracy within the party, make the party congress the center of party power, develop people's democracy, and make the National People's Congress the center of state power. Only by so doing can we pool the wisdom of the masses, really change individual autocracy, eliminate the lifelong leadership system, genuinely separate the party from the government, and practice democratic politics." Reporters from six newspapers came to hear my speech and reported on it from different angles. After the forum, many people questioned the possibility that my ideas would ever become reality.

Hong Kong people also worry about our bad work style. Some people mentioned to me that many people had to bribe concerned officials with a lot of money before they could get permission to move to Hong Kong. Some officials sent to Hong Kong by the mainland are typical bureaucrats. They seriously abuse their privileges, squander public funds, and go in for ostentation and extravagance. Hong Kong people worry especially about the possibility that the children of cadres may one day arrive in Hong Kong to create trouble and disturbances. Because of this, some people suggest that it is better to establish an "uncle" management bureau to effectively deal with and restrain those cadres stationed in Hong Kong, who have more than a few problems. They worry that if the problem of party work style cannot be resolved once and for all and that if one day Hong Kong is managed by the party and Beijing people instead of Hong Kong people themselves, Hong Kong's economy is bound to become a mess and the living standards of Hong Kong people are bound to decline sharply. Hong Kong people also worry secretly about the fact that our party tries to manage too many things and does so ineffectively. During my visit to Hong Kong, there were rumors that Mainland China was going to ban and criticize the television show the *River Elegy*. Because of this, a television station decided to stop showing its program *Today in History* and LIAOWANG magazine cancelled an article in spite of the fact that a portion as well as the summary of it had already been published. Hong Kong people think that these practices show that we are still using traditional leftist ideas to strictly control our ideological sphere and to restrict people's

freedom of thought and speech. They do not understand why we have to adopt the measures of prohibition, criticism, and cancellation. They say we could carry out discussions and debates if we have different views on literary and art works or an academic article. They worry that their freedom of thought, speech, and politics will be greatly restricted in the future. They said: "We Hong Kong people may be afraid of our wives, but we are not afraid of our government. You mainlanders may not be afraid of your wives, but you are afraid of the Communist Party."

Because of all these fears, the number of Hong Kong emigrants has been on the rise in recent years. Two years ago, the number of emigrants was some 20,000 people. In 1987, the number increased to about 45,000. In 1988, the number was probably even higher. About 5.6 percent of these emigrants are the intellectual elite. At this rate, about half the elite will have emigrated and be gone by the year of 1997. No wonder some people predict that Hong Kong will become a capitalist society with very few capitalists. What do the "grassroots level" and "the general public" (a term commonly used by Hong Kong people), who have absolutely no way to leave, think about all this? I asked some workers, and it looked like that they had no alternative. They just hope that we will stand by our word that everything will remain the same. One worker was quite succinct. He said: "Everyone loves the country of China, but everyone is scared of the policy of the mainland." Patriots are everywhere, but many fear that the pernicious influence of leftist ideas still exists among us and that our policies will change constantly.

With regard to using "one country, two systems" to resolve the Taiwan issue, Hong Kong people are also happy and worried at the same time. They are happy because, after Taiwan is returned to the motherland, the cause of reunification of the motherland will be genuinely accomplished and Taiwan's economic development experience, funds, technology, and competent people will accelerate the prosperity of the motherland. Professor Chen Kunyao [7115 0981 5069], director of the Asian Study Center of the Hong Kong University, has proposed a fairly touching idea for the model of economic development of the "Chinese circle" in the Asian Pacific area. The so-called "Chinese circle" is formed by mainland China, Hong Kong, and Taiwan. It is a group that can be listed together with America, Japan, and the European Economic Community as the four main pillars of economic growth in the world. The three parts of the Chinese circle can divide up the work and cooperate with each other. For instance, currently Taiwan has invested through Hong Kong in the electronic and shoemaking industries in the mainland. In the future, products may be designed in Taiwan, manufactured on the mainland, and sold to different parts of the world through trading companies registered in Hong Kong. The cooperation among the three parties will be increasingly diversified and intensified in the future. It will become a great motive power and enable China to quickly become a strong and prosperous country in the

Asian Pacific area. This is a feasible and promising plan. Then, why are they still worried about the solution of the Taiwan issue? They think that Taiwan's economic development has been very fast in the past 20 years or so and that its political progress has been also very fast in the past 2 to 3 years. The old Chiang (Chiang Kai-shek) was a villain. He killed numerous people in Taiwan during the 1950's and the 1960's. He killed not only progressive personages but also those who were loyal to the Kuomintang [KMT] but had criticized him. For instance, Lei Chen, who was then in charge of ZIYOU ZHONGGUO [FREE CHINA], was weeded out despite the fact that he resolutely opposed communism. The young Chiang (Chiang Ching-kuo) was a hypocrite. He vigorously advocated democracy only in words. But somehow the make-believe was turned into reality. He lifted martial law and bans on political parties and newspapers. In 1984, Taiwan formed the Democratic Progressive Party which became the opposition party both in name and reality. It could supervise and criticize the KMT and forced the KMT to withdraw from the military and nationalize the military forces. MINZHONG RIBAO, which is run by the people, can also expose and attack the KMT. Chiang Ching-kuo also promoted a large group of young and strong intellectuals who were educated overseas to replace senior members. He did not designate an heir apparent. After his death, Li Teng-hui was elected.

Hong Kong people also worry about the shortcomings of our united front work. For instance, our work is oriented mostly toward upper-class people and not to middle- and lower-class people. We like to hear praise and not criticism and differing views. If this trend continues, it will be difficult for us to unite more patriots and do our job well.

It is imperative to have a profound understanding and careful analysis of Hong Kong people's joys and sorrows over "one country, two systems." We should not be intoxicated by the joys and depressed by the sorrows. Instead, we should be encouraged when we hear their joys, free them from their worries and doubts, open avenues for Hong Kong people to serve the motherland, and use practical measures and actions to reassure Hong Kong people and to enhance their confidence. Although there are currently more sorrows than joys, as long as we work hard in all fields, we will be able to gradually reverse the situation.

Xu Jiatun Sees Bright Future for Hong Kong
*OW2306135089 Beijing GUANGMING RIBAO
in Chinese 19 May 89 p 3*

[Article by Xu Jiatun: "Study World Economic Trend, Unfold Reform, and Develop New Thinking"; "abridged" foreword to "All About World Economy" which has been compiled by the Southeast Asia Economic Information Center of the Hong Kong XINHUA office and will be published soon by the Nanhai People's Publishing Press]

[Text] More than 40 years have passed since the war ended. Owing to the struggles of peace-loving countries and people and to the current balance of power, the two

strongest military powers of the world dare not start a new world war, and the regional wars in which they are involved or which they support have not even once achieved their goals. On the contrary, the intense arms race, along with other factors, has greatly increased their burdens and jeopardized their economic growth. In the wake of rapid economic development in Japan, Western Europe, the "four little dragons," and other countries and regions, there has been further multipolarization of world politics and economy. In recent years, there have been abrupt changes in the international situation and a general reduction of tension in hot military spots. Dialogue has taken the place of confrontation, and exchanges have replaced standoffs. The world is entering a relatively long period of relaxation. We should recognize the special characteristics brought about by the general relaxation in international relations and the gradual development of new peaceful competition and deepen our economic policy studies. These characteristics are mainly manifested in the following three aspects:

1. New competitions are contests of composite national might centered around economy, with the scientific and technological revolution as its motivating force. With the further relaxation in international relations, comparative economic strength will manifest itself more directly and forcefully. And comparative economic strength is predicated upon breakthroughs in new science and technology. Since the third scientific and technological revolution which began in the fifties, the speed, scope, and impact of development in the peaceful uses of atomic energy, micro-electronics, and aeronautical and space engineering have far exceeded what was accomplished during the two previous scientific and technological revolutions, bringing about changes in the tools and purposes of labor, greatly increasing labor productivity, and facilitating faster growth of material social wealth. Therefore, the development of science and technology has become the fundamental national policy of all countries of the world. Scientific and technological cooperation and competition have become an important matter in international relations. Competition results in great changes in the strength of a country. We might say that all countries of the world, in their struggle for political, economic, and military superiority, now focus their attention on achieving prominence in science and technology to increase their national might in the course of competition. The development of new science and technology has also enhanced the role and functions of intellectuals, created a larger and stronger middle strata, and thus brought about changes in the structure of society.

2. New competitions will unfold as new systems replace old ones. Currently, the whole world is embroiled in economic restructuring and reform. Many countries of the world are restructuring their economic systems, changing the physical makeup of their industries, and carrying out a new revolution in management. The capitalist countries of the West have stepped up government control and joint intervention, while the socialist

countries have developed their market mechanisms. The two different economic systems are learning from and supplementing each other in the course of peaceful competition. The postwar situation tells us that the major Western industrial countries, as a result of their increased economic power, an unprecedented expansion of their markets, and the great efforts made by various countries and governments in unfolding their grandiose economic restructuring plans, have more or less learned how to handle their own internal economic crises. As a result, the period of economic crises has been shortened, and the damage done by economic crises has been reduced. One of the main reasons why the 1987 stock market crash did not cause any serious economic recession was the joint intervention by the major Western industrial countries. Further relaxation of international relations will not result in total disappearance of economic recession and crises, but it is very probable that productivity will increase by leaps and bounds.

3. New competitions will develop within the framework of economic blocs. In the course of world economic competition, the resources of one country or one region usually cannot cope with the development of productivity and the needs of such competition. Therefore, based on geographic location and similarities in customs and economic interests, some countries (or regions) have formed blocs for their own benefit while protecting the bloc's economic security. Of such economic blocs, the most tightly knit are the European Economic Community, the Soviet-East European Council for Mutual Economic Assistance, and the U.S.-Canada free trade market. Currently, more economic blocs are being formed. Some people have proposed the formation of an Asia-Pacific region economic community. The increase in economic power of the Asia-Pacific region portends closer regional economic cooperation.

In short, all countries are taking advantage of the increasingly relaxed international situation. Their national policies are focused on their own economic growth. Economic reform and development have become the trend of the world. This is a challenge as well as an opportunity for China. We must study the new situation and new measures, focusing on three aspects. They are: 1) Because of their economic growth and greater consumer needs, and especially because of their economic restructuring, the major Western industrial countries must import large quantities of labor intensive goods. They have given us greater opportunities to develop our external economy and increase our exports. 2) The major Western industrial countries have greatly stepped up export of capital and technology. This affords China an opportunity to attract foreign capital and technology to strengthen our own infrastructure and to improve the technological reform and management of our enterprises. Meanwhile, because of our own relatively great achievements in high technology, we are in a position to join the international scientific and technological competition and seek new breakthroughs in this field. As our production facilities continue to get better,

we may also be able to export technology and to join international scientific and technological cooperation, showing people what we have achieved and what we can do. 3) The European Economic Community and the U.S.-Canada free trade pact tend to favor protectionism and to discriminate against other economic groups, adversely affecting the Third World countries including China and the "little dragons" of Asia. However, we can be active instead of being passive by strengthening our cooperation with Hong Kong, Australia, Taiwan, and other neighboring countries and regions. By pooling our resources, we will be in a superior position to accelerate economic development in China and the Asia-Pacific region, promote free international trade, and enhance world economic cooperation.

Hong Kong has an especially important role to play in peaceful international competition. We should fully recognize its role and make full use of Hong Kong. Since the signing of the Sino-British "Joint Statement," Hong Kong's economy has grown steadfastly, showing great adaptability and ability to cope with changes. Hong Kong is a wide-open free port and an important international trade and financial center. Hong Kong has superb infrastructure "hardware" as well as superb "software" such as good information gathering facilities and management know-how. It has played a great role in the development of China's external economy and has helped accelerate the development of China's economic construction and foreign trade. As a financial center, Hong Kong has enormous capital and provides a venue

for bringing in capital to China and for keeping capital there. Currently, China is the largest investor in Hong Kong. The introduction of foreign capital has had a great impact on China's growing market economy as well as on China's traditional economic setups and has brought about new social concepts. International norms for developing modern commodity economy, enterprise management, and market competition have also been introduced. Hong Kong has a unique modern commodity economy setup; namely, its market is open and free. It has facilitated the development of external trade and economy of those Chinese coastal areas that are open to the outside. It has also provided guidance and inspiration to China in carrying out economic reform. Working together by pooling their superior resources, the mainland and Hong Kong will become very strong economically. Currently, economic cooperation between Hong Kong and the mainland, especially with the Zhujiang delta area, has become closer and closer. This is good both for the mainland and Hong Kong. Such cooperation will continue to develop, and we will see even greater results. In 1988, the volume of goods transshipped in Hong Kong exceeded what Hong Kong exported during the same year. With the expansion of the international market, notably the overall economic development in China and the Asia-Pacific region, Hong Kong's economy has a boundless future, especially for business and service establishments. It is believed that Hong Kong's GNP will increase by several fold, and Hong Kong's future is indeed very bright.

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